

明源雲

MING YUAN CLOUD GROUP HOLDINGS LIMITED

明源雲集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

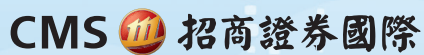
Stock Code : 909

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners



Other Joint Bookrunners



IMPORTANT

IMPORTANT: If you have doubt about any of the contents in this prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

| | |
|--|---|
| Number of Offer Shares under the Global Offering | : 374,204,000 Shares (subject to the Over-allotment Option) |
| Number of Hong Kong Offer Shares | : 37,422,000 Shares (subject to reallocation) |
| Number of International Offer Shares | : 336,782,000 Shares (subject to reallocation and the Over-allotment Option) |
| Maximum Offer Price | : HK\$16.50 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund) |
| Nominal value | : HK\$0.0001 per Share |
| Stock code | : 909 |

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners



Other Joint Bookrunners



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, September 18, 2020 and, in any event, not later than Monday, September 21, 2020.

The Offer Price will be not more than HK\$16.50 and is currently expected to be not less than HK\$15.00 unless otherwise announced. If, for any reason, the Offer Price is not agreed by Monday, September 21, 2020 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.mingyuanyun.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (a) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S.

September 15, 2020

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.mingyuanyun.com.

Hong Kong Public Offering commences and **WHITE** and

YELLOW Application Forms available from 9:00 a.m. on Tuesday,
September 15, 2020

Latest time to complete electronic applications under

White Form eIPO service through the designated
website www.eipo.com.hk⁽²⁾ 11:30 a.m. on Friday,
September 18, 2020

Application lists of the Hong Kong Public Offering open⁽³⁾ 11:45 a.m. on Friday,
September 18, 2020

Latest time to lodge **WHITE** and **YELLOW** Application Forms 12:00 noon on Friday,
September 18, 2020

Latest time to give **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Friday,
September 18, 2020

Latest time to complete payment of **White Form eIPO**
applications by effecting internet bank transfer(s)
or PPS payment transfer(s) 12:00 noon on Friday,
September 18, 2020

Application lists of the Hong Kong Public Offering close 12:00 noon on Friday,
September 18, 2020

Expected Price Determination Date⁽⁵⁾ Friday,
September 18, 2020

(1) Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- an indication of the level of interest in the International Offering; and

EXPECTED TIMETABLE

- the basis of allocation of the Hong Kong Offer Shares,

to be published on the websites of the Stock Exchange
at www.hkexnews.hk and our Company
at www.mingyuanyun.com on or before⁽⁶⁾ Thursday,
September 24, 2020

- (2) Announcement of results of allocations in
the Hong Kong Public Offering (with successful applicants’
identification document numbers, where appropriate) to
be available through a variety of channels including
the websites of the Stock Exchange at www.hkexnews.hk
and our Company at www.mingyuanyun.com
(see the section headed “How to Apply for Hong Kong
Offer Shares – 11. Publication of Results” in
this prospectus) from Thursday,
September 24, 2020

- (3) A full announcement of the Hong Kong Public Offering
containing (1) and (2) above to be published on the websites
of the Stock Exchange at www.hkexnews.hk⁽⁷⁾ and our
Company at www.mingyuanyun.com from Thursday,
September 24, 2020

- Results of allocations for the Hong Kong Public Offering will be
available at www.iporesults.com.hk (alternatively:
English <https://www.eipo.com.hk/en/Allotment>;
Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)
with a “search by ID” function from Thursday,
September 24, 2020

- Dispatch/collection of Share certificates or deposit of Share certificates
into CCASS in respect of wholly or partially successful applications
pursuant to the Hong Kong Public Offering on or before Thursday,
September 24, 2020

- Dispatch/collection of **White Form e-Refund**
payment instructions/refund cheques in respect of wholly
successful (if applicable) or wholly or partially unsuccessful
applications on or before Thursday,
September 24, 2020

- Dealings in Shares on the Stock Exchange to commence on 9:00 a.m. on Friday,
September 25, 2020

EXPECTED TIMETABLE

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 18, 2020, the application lists will not open on that day. See the section headed “How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Friday, September 18, 2020, and in any event, not later than Monday, September 21, 2020. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Monday, September 21, 2020, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.
- (6) Share certificates are expected to be issued on Thursday, September 24, 2020 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on Friday, September 25, 2020. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates and before they become valid do so entirely of their own risk.
- (7) The announcement will be available for viewing on the “Main Board – Allotment of Results” page on the Stock Exchange’s website at www.hkexnews.hk, and our Company’s website at www.mingyuanyun.com.
- (8) None of the websites or any of the information contained on the website forms part of this prospectus.
- (9) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applicants in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card/passport number of the first-named applicant, provided by you may be printed on your refund check, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund check or may invalidate your refund check. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **White Form eIPO** Services Provider, in the form of refund checks, by ordinary post at their own risk.

The above expected timetable is a summary only. You should read carefully the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund checks and Share certificates.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We provide enterprise-grade ERP solutions and SaaS products to property developers and other industry participants along the real estate value chain in China. We are the No. 1 software solution provider for property developers in China with a market share of 18.5% in terms of revenue in 2019, according to Frost & Sullivan. Within this market, we are also the No. 1 provider of both ERP solutions and SaaS products in terms of revenue, with leading market shares of 16.6% and 23.3%, respectively. Our ERP solutions and SaaS products enable property developers and other real estate industry participants such as construction materials suppliers and property asset management companies to streamline and digitalize their business operations.

Since our founding in 2003, we have been dedicated to driving the digital transformation of China’s real estate industry. Through integrating our deep industry expertise with relentless product innovation, we have developed a comprehensive suite of industry-specific ERP solutions and SaaS products for property developers and other real estate industry participants to manage a wide range of business operations, including sales and marketing, procurement, cost management, project management, budgeting, and property asset management. For details of the key milestones in our operational history, see “History, Reorganization and Corporate Structure – Key Milestones.”

We have a broad and high-quality customer base with long-term relationships. In 2019, we directly and indirectly served approximately 4,000 paying end group customers, including nearly 3,000 property developers. We directly and indirectly served 99 paying end group customers that were Top 100 property developers in 2019, which collectively contributed 42% of our total revenues in the same year. More than 70 of the Top 100 property developers had used our software solutions for more than five years. During the Track Record Period, we had approximately 900, 1,200, 1,500 and 1,000 paying end group customers for our ERP solutions in 2017, 2018, 2019 and for the three months ended March 31, 2020, respectively. During the same periods, we had approximately 1,600, 2,500, 3,600 and 3,100 paying end group customers for our SaaS products, respectively. 90 of the Top 100 property developers in 2019 used both our ERP solutions and at least one of our SaaS products.

At the heart of our offerings is our unwavering commitment to product and technology development so we can build software solutions for China’s evolving real estate industry. Our comprehensive software solutions are designed to digitalize essential business operations of our customers and enhance business interactions between our customers and their customers, suppliers and partners. Our cloud-based technologies enable rapid and cost-effective implementation as well as support and customization of our ERP solutions to incorporate the latest technologies and industry practices. Our reliable and mobile-friendly SaaS products enable our customers to rapidly digitalize their business operations and allow us to continuously upgrade our products with new technology without incremental costs to our customers. Through building and offering our proprietary PaaS, we expect to further enhance the development and customization of our SaaS products.

We achieved strong growth during the Track Record Period. Our total revenues increased at a CAGR of 47.7% from RMB579.6 million in 2017 to RMB1,264.0 million in 2019, and increased from RMB194.8 million for the three months ended March 31, 2019 to RMB253.8 million for the three months ended March 31, 2020. Our gross profit increased at a CAGR of 47.0% from RMB460.3 million in 2017 to RMB994.6 million in 2019, and increased from RMB144.1 million for the three months ended March 31, 2019 to RMB193.3 million for the three months ended March 31, 2020. Our net profit increased at a CAGR of 78.4% from RMB72.8 million in 2017 to RMB231.6 million in 2019, and increased from RMB6.9 million for the three months ended March 31, 2019 to RMB14.7 million for the three months ended March 31, 2020. In 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020, our non-IFRS adjusted EBITDA was RMB124.5 million, RMB201.5 million, RMB276.7 million, RMB14.3 million and RMB36.0 million, respectively. In the same periods, our non-IFRS adjusted net income was RMB96.3 million, RMB163.0 million, RMB235.9 million, RMB6.9 million and RMB26.5 million, respectively. See “Financial Information – Non-IFRS Measures” for a complete reconciliation of our non-IFRS measures to their most comparable IFRS measures.

SUMMARY

Our Offerings

We provide a comprehensive set of industry-specific ERP solutions and SaaS products, both of which can be purchased on a standalone or integrated basis with other solutions. With our ERP open platform and PaaS infrastructure, which allows for strong scalability, connectivity and integration of our software solutions, our ERP solutions and SaaS products enable our customers to operate more efficiently and intelligently both within their enterprises and with their business partners.

Our ERP solutions allow property developers to effectively integrate and manage enterprise resources and optimize core business functions including sales and marketing, procurement, cost management, project management, budgeting, and property asset management. In addition to software licensing, we offer implementation services, product support services, and value-added services to deliver an effective integration of our ERP solutions into our customers' own business processes, databases and systems with enhanced performance and customization. The cloud version of our ERP solutions, launched in 2017, offers substantial scalability benefits to our customers, while allowing us to achieve greater implementation flexibility and development efficiency. We charge customers software licensing fees, implementation fees as well as other fees in connection with ERP solutions. In 2017, 2018 and 2019 and the three months ended March 31, 2020, we generated revenues from sales of our ERP solutions in the amounts of RMB400.1 million, RMB583.5 million, RMB754.1 million and RMB124.1 million from approximately 900, 1,200, 1,500 and 1,000 paying end group customers, respectively. See "Business – Our Offerings – Our ERP Solutions – Helping Property Developers Run Their Business Optimally" for further details about pricing and fee models of our ERP solutions.

Our SaaS products, which are cloud-based software applications containing various digital tools and functions that are accessed by users through web portals, mobile apps and Weixin/WeChat mini program via both PC and mobile devices, help property developers and other real estate industry participants to optimize their procurement, construction, marketing and sales, property asset management and other property related operations. Our SaaS products consist of *CRM Cloud* (雲客), *Construction Cloud* (雲鏈), *Procurement Cloud* (雲採購) and *Asset Management Cloud* (雲空間), catering to the diverse needs of property developers, suppliers, asset managers, property operators, and other industry participants along the real estate value chain. We equip our *CRM Cloud* (雲客) and *Construction Cloud* (雲鏈) with certain integrated smart devices such as POS terminals and smart cameras to enhance the overall performance of such SaaS products and further improve user experience, thereby attracting more customers. 95, 94, 97 and 94 of the Top 100 property developers subscribed for at least one of our SaaS products in 2017, 2018 and 2019 and the first quarter of 2020, respectively. Through the adoption of cloud-based technologies, our SaaS products are fully integrated with our ERP solutions. For a description of our SaaS products, see "Business – Our Offerings – Our SaaS Products – Delivering Intelligent Solutions to Various Real Estate Industry Participants."

During the Track Record Period, we generated revenues from sales of our SaaS products in the amounts of RMB179.5 million, RMB329.3 million, RMB509.8 million and RMB129.6 million from approximately 1,600, 2,500, 3,600 and 3,100 paying end group customers in 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively. See "Business – Our Offerings – Our SaaS Products – Delivering Intelligent Solutions to Various Real Estate Industry Participants" for further details.

Sales and Distribution Network

We sell and deliver ERP solutions and SaaS products 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 deep understanding of customers' varying needs. We conduct direct sales through our sales teams based in tier-1 cities including Beijing, Shanghai, Shenzhen and Guangzhou, and closely work with our regional channel partners to market our ERP solutions and SaaS products to customers in the rest of China for better cost efficiency.

The following table sets forth our revenue breakdown by direct sales and sales of our ERP solutions and SaaS products through regional channel partners for the periods indicated.

| | 2017 | | For the year ended December 31, | | | | For the three months ended March 31, | | | |
|--|----------------|--------------|---------------------------------|--------------|------------------|--------------|--------------------------------------|--------------|----------------|--------------|
| | Amount | % | 2018 Amount | % | 2019 Amount | % | 2019 Amount | % | 2020 Amount | % |
| (unaudited) | | | | | | | | | | |
| (RMB in thousands, except percentages) | | | | | | | | | | |
| Direct sales | 393,488 | 67.9 | 538,448 | 59.0 | 713,404 | 56.4 | 97,485 | 50.0 | 123,711 | 48.7 |
| Regional channel partners | 186,120 | 32.1 | 374,347 | 41.0 | 550,565 | 43.6 | 97,353 | 50.0 | 130,079 | 51.3 |
| Total | 579,608 | 100.0 | 912,795 | 100.0 | 1,263,969 | 100.0 | 194,838 | 100.0 | 253,790 | 100.0 |

SUMMARY

See “Business – Sales, Marketing and Distribution” and “– Our Regional Channel Partners Network” and for further details.

Our Customers and Suppliers

Our end customers are predominantly property developers, from whom we derive substantially all of our revenue. See “Business – Our Customers” for further details.

Our suppliers primarily include cloud computing service providers, outsourcing software service providers, software dongle suppliers and smart device providers. See “Business – Our Suppliers” for further details.

OUR STRENGTHS

We believe the following competitive advantages have contributed to our success and will help drive our growth in the future:

- The leading software solution provider for property developers in China;
- Comprehensive, industry-specific solutions with strong growth and monetization capabilities;
- A broad and high-quality customer base with long-term relationships;
- Effective and long-standing nationwide sales network;
- Strong product development and technology capabilities; and
- Visionary and experienced management team.

For further details, see “Business – Our Strengths.”

OUR STRATEGIES

To achieve our mission and further solidify our leadership, we intend to pursue the following strategies:

- Continue to invest in and expand our SaaS business along the real estate value chain;
- Focus on product and technology innovation;
- Strengthen sales and marketing to diversify customer base of regional property developers and other participants along the real estate value chain;
- Integrate industry resources to deepen and broaden relationships with leading property developers; and
- Pursue investment, acquisition and strategic opportunities.

For further details, see “Business – Our Strategies.”

OUR REGIONAL CHANNEL PARTNERS NETWORK

We have since our inception worked with a selected group of regional channel partners who together form an extensive sales and service network across China for us to rapidly scale up our presence in regional markets in a cost-effective manner. As of March 31, 2020, we cooperated with 69 regional channel partners, covering 27 provinces across China.

To the best of our Directors’ knowledge, all of the 69 regional channel partners are Independent Third Parties as of March 31, 2020. Based on the due diligence work conducted by the Joint Sponsors, there is nothing that came to the attention of the Joint Sponsors that would cause them to believe that any of the regional channel partners is not an Independent Third Party.

Our regional channel partners are contractually required, according to the agreement with us, to only serve us. To the best of our Directors’ knowledge, all of our 69 regional channel partners only served us during the Track Record Period. We believe such commercial arrangement is mutually beneficial to both our regional channel partners and ourselves. As advised by Frost & Sullivan, it is consistent with the industry norm to have a network of regional channel partners who only serve a particular software solutions provider. Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would cause them to disagree with Frost & Sullivan’s views that having a network of regional channel partners who only serve a particular software solutions provider is in line with the industry norm. For further information about our regional channel partners’ backgrounds, see “Business – Sales, Marketing and Distribution – Our Regional Channel Partner Network.”

Why We Use Regional Channel Partners

We primarily leverage our effective network of regional channel partners to rapidly penetrate into more fragmented regional markets in China and drive top-line growth to scale our business. For a detailed discussion of our business rationale to use regional channel partners, see “Business – Sales, Marketing and Distribution – Our Regional Channel Partner Network – Why We Use Regional Channel Partners.” According to Frost & Sullivan, the engagement of regional channel partners is consistent with the industry norm.

SUMMARY

Distinct Roles in Transactions and Accounting Treatments

Our regional channel partners play distinct roles in transactions with us due to the different nature of our ERP solutions and SaaS products. With respect to our ERP solutions where our regional channel partners purchase the software license of our ERP solutions from us and resell them to our end customers, we regard our regional channel partners as direct buyers of our ERP solutions. Under this business model, we recognize revenues generated from sales of software license of our ERP solutions to our regional channel partners at the amounts billed to such regional channel partners. With respect to our SaaS products, our regional channel partners act as our agents for the sales of our SaaS products. Accordingly, we recognize revenues generated from sales of our SaaS products through our regional channel partners at the gross amounts billed to end customers, and the commission expenses paid to such regional channel partners are recognized as part of our selling and marketing expenses. For details of such commercial arrangement, see “Business – Sales, Marketing and Distribution – Our Regional Channel Partner Network – Key Commercial Arrangements with Regional Channel Partners.”

How We Compensate Regional Channel Partners

ERP Solutions

We grant our regional channel partners different levels of discounts ranging from 50% to 65% for the sales of software license of our ERP solutions, based on their sales performance.

For illustrative purpose, the following table sets forth a weighted average discount rate that we granted to our regional channel partners during the Track Record Period, which is calculated by dividing (i) the aggregate amount of the discounts offered to each of the relevant regional channel partners for their sales of software license of our ERP solutions in the same period, by (ii) the total gross sales amount (namely without discounts) calculated based on the standard price of such software license sold to such regional channel partners in a given period.

| | For the year ended December 31, | | | For the three months ended |
|--|---------------------------------|-------|-------|----------------------------|
| | 2017 | 2018 | 2019 | March 31, 2020 |
| Weighted Average Discount Rates | 63.1% | 63.3% | 62.9% | 62.6% |

In 2017, 2018 and 2019 and the first quarter of 2020, revenues generated from our regional channel partners for the sales of software license of our ERP solutions totaled RMB63.0 million, RMB115.3 million, RMB124.0 million and RMB17.0 million, respectively.

As confirmed by Frost & Sullivan who has taken into consideration the discount rates offered by our comparable companies, we believe the discount rates we offered for ERP solutions during the Track Record Period are in line with the industry norm. As we continue to enhance our leading position in the market and improve our bargaining power, we have been and will continue optimizing our discount rates to ensure our sustainable growth.

SaaS Products

We compensate our regional channel partners by offering them commissions for the sales of our SaaS products, which include, in addition to different levels of product sales rebates ranging from 35% to 65% which is the largest component of the total commission expenses, one-off performance incentives and fixed product delivery commissions. With respect to renewal of subscription of our SaaS products by end customers, we also grant the relevant regional channel partners sales rebate at applicable rates. During the Track Record Period, the sales rebate rate that we granted to most of our regional channel partners ranged from 50% to 65%.

The following table sets forth the total commission expenses paid by us to our regional channel partners of SaaS business during the Track Record Period in both absolute amounts and as a percentage of the total SaaS revenues generated from regional channel partners.

| | For the year ended December 31, | | | | | | For the three months ended | |
|----------------------------|---------------------------------------|------|-------|------|-------|------|----------------------------|------|
| | 2017 | | 2018 | | 2019 | | March 31, 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % |
| | (RMB in millions, except percentages) | | | | | | (unaudited) | |
| Commission Expenses | 77.1 | 77.9 | 141.8 | 74.9 | 202.1 | 68.0 | 50.8 | 64.4 |

We believe the sales rebates we currently offer to our regional channel partners are reasonable and fair, and such sales rebates are on normal commercial terms and in line with the industry norm, as confirmed by Frost & Sullivan who has taken into consideration the sales rebate offered by our comparable companies.

SUMMARY

Profitability Analysis by Sales Channel

Our business operations are not organized in a way that all costs are identifiable and separable between sales through our direct sales force and regional channel partners. As a substantial portion of our costs are incurred in connection with the relevant services provided by our staff to our end customers, regardless of whether such end customers are acquired by our direct sales force or regional channel partners, our accounting system does not keep track of or allocate all costs by sales channel. For example, a substantial portion of our total cost of sales during the Track Record Period was staff costs that are not separable between sales through our direct sales force and regional channel partners. As a result, it requires significant management judgement to allocate unclassified costs between sales generated from our direct sales force and regional channel partners, which may not be accurate or appropriate. As such, we cannot separately track the profitability, including gross margin and operating margin, of either our ERP solutions or SaaS products by sales channel.

To evaluate the effectiveness and cost efficiency of our regional channel partner network, we primarily focus on (i) the weighted average discount rates with respect to ERP solutions and (ii) total commission expenses both in absolute amounts and as a percentage of our total SaaS revenues generated from regional channel partners with respect to SaaS products, while balancing their impacts on the overall profitability of our ERP solutions and SaaS products. In addition, we also actively track and separately evaluate the operating margin of our ERP solutions and SaaS products to ensure the long-profitable growth of both segments.

- With respect to our ERP solutions, the weighted average discount rate that we granted to our regional channel partners for the sales of software license of our ERP solutions was 63.1%, 63.3%, 62.9% and 62.6% in 2017, 2018 and 2019 and the first quarter of 2020, respectively. Our weighted average discount rates remained stable during the Track Record Period, and are anticipated to remain stable in the near term given we do not intend to materially change our current discount framework that is proven to be effective in incentivizing our regional channel partners. Despite the increased percentages of sales through regional channel partners as a result of our continuous penetration into regional markets, the overall net profit margin of ERP solutions remained stably healthy at 36.4%, 34.7% and 36.2% in 2017, 2018 and 2019, respectively, which was largely attributable to our improved economies of scale and improved operating efficiency.
- With respect to our SaaS products, we incurred net losses during the Track Record Period primarily because we have made substantial upfront investment in product development and sales and marketing activities to drive customer acceptance of our SaaS products and the rapid growth of our SaaS business, which we believe are instrumental to the future profitability and sustainability of our fast-growing SaaS business in the long term. The commission expenses paid by us to our regional channel partners for SaaS business amounted to RMB77.1 million, RMB141.8 million, RMB202.1 million and RMB50.8 million, respectively, representing 77.9%, 74.9%, 68.0% and 64.4% of the total SaaS revenues generated from regional channel partners in 2017, 2018 and 2019 and the first quarter of 2020, respectively. During the Track Record Period, such commission expenses as a percentage of the total SaaS revenues generated from regional channel partners steadily decreased. As we continue to rapidly scale our SaaS business in regional markets, we expect our commission expenses as a percentage of the total SaaS revenues generated from regional channel partners to continue to decrease, leading to improved profitability of our SaaS business. As a proof of our improved economies of scale (which was partly attributable to the rapid growth driven by regional channel partners), the net loss margin for our SaaS products substantially decreased from 28.4% in 2017 to 8.2% in 2019, and from 23.1% for the three months ended March 31, 2019 to 6.1% for the three months ended March 31, 2020.

As we continue to focus on driving top-line growth in the near future to scale our business, our management will closely and prudently manage the overall profitability of each of our ERP and SaaS segments as a whole, taking into consideration the distinct costs and expenses structures under different sales channels. Going forward, our management will continue to dynamically monitor and optimize the allocation of our sales and marketing resources based on our business expansion plans at different growth stages, with a view to achieving an optimal balance of rapid revenue growth and sustainable profitability at scale.

Having considered, among others, the background of our regional channel partners, the ranges of discounts and sales rebates that we offer to them, and other key commercial arrangements, our Directors believe that the commercial arrangements with regional channel partners are on normal commercial terms and in line with the industry norm. Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' and Frost & Sullivan's views that the engagement of regional channel partners is consistent with the industry norm and the commercial arrangements with regional channel partners are on normal commercial terms and in line with the industry norm. For further details, see "Business – Sales, Marketing and Distribution – Our Regional Channel Partner Network."

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include the following:

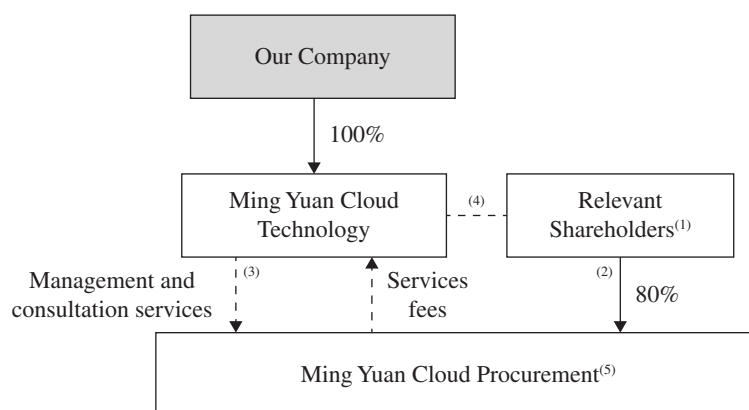
- If we fail to improve and enhance the functions, performance, reliability, design, security, and scalability of our products and services to suit our customers' evolving needs, we may lose our customers.

SUMMARY

- A downturn or any adverse developments in China's real estate industry may decrease the demand for our products and services.
- Our success depends on the growth in market acceptance for our products and services.
- We operate in a competitive market and may not be able to compete successfully against our existing and future competitors.
- If we fail to maintain and grow our customer base, keep our customers engaged through our products and services, and expand our SaaS business, our business growth may not be sustainable.
- We have a history of net losses in our SaaS business segment, and we may not be able to achieve profitability in the future.
- If we fail to continue innovating and keep pace with technological developments, our business may be materially and adversely affected.
- Our initiatives to develop new products and introduce new technologies may not succeed, which may limit our future growth.
- If our software solutions contain material errors, defects or security issues, we may lose our customers and incur significant remedial costs.
- Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.
- We work with regional channel partners to market, promote and implement our products and services and generate a considerable portion of revenue from our regional channel partners. If we are unable to maintain stable relationships with our regional channel partners, our business, operating results, and financial condition could be adversely affected.

CONTRACTUAL ARRANGEMENTS

Our Consolidated Affiliated Entity, Ming Yuan Cloud Procurement, operates a procurement and supply chain management platform, which involves the provision of procurement information for property developers, construction materials suppliers and other service vendors. The operation of procurement and supply chain management platform is subject to restrictions under current PRC laws and regulations. After consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entity directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over, and receive 80% of all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entity through the Contractual Arrangements between Ming Yuan Cloud Technology, on the one hand, and our Consolidated Affiliated Entity and the Relevant Shareholders, on the other hand. The following simplified diagram illustrates the flow of 80% economic benefits from our Consolidated Affiliated Entity to our Group stipulated under the Contractual Arrangements:



Notes:

1. Relevant Shareholders refer to the relevant shareholders of Ming Yuan Cloud Procurement, namely, Mr. Gao, Mr. Chen and Mr. Jiang, who hold 36.0%, 27.2% and 16.8% of the equity interest in Ming Yuan Cloud Procurement respectively.
2. “—>” denotes legal and beneficial ownership in the equity interest.
3. “--->” denotes contractual relationship.
4. “----” denotes the control by Ming Yuan Cloud Technology over the Relevant Shareholders and Ming Yuan Cloud Procurement through (1) powers of attorney to exercise all shareholders’ rights of the Relevant Shareholders in Ming Yuan Cloud Procurement, (2) exclusive options to acquire all or part of the equity interests of the Relevant Shareholders in Ming Yuan Cloud Procurement and (3) equity pledges over the equity interests of the Relevant Shareholders in Ming Yuan Cloud Procurement.

SUMMARY

5. The remaining 20% equity interest is held by Shenzhen Mingyuan Cloud Tai Qi Investment Partnership (Limited Partnership) (深圳市明源雲泰啟投資合夥企業(有限合夥)), a shareholding platform held by 13 employees of our Group as at the Latest Practicable Date.

For the risks relating to the Contractual Arrangements, see the section headed “Risk Factors – Risks Relating to Our Contractual Arrangements” in this prospectus for further details.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Global Offering (without taking into account any Shares to be allotted and issued upon the exercise of the Over-allotment Option), Mr. Gao, Mr. Chen and Mr. Jiang will be interested in and will control, through various intermediary entities, an aggregate of approximately 46.98% of the issued share capital of our Company and will remain as Controlling Shareholders of our Group. For further details of our Controlling Shareholders, see “Relationship with the Controlling Shareholders”.

OUR PRE-IPO INVESTORS

Since the establishment of our Company, we have entered into subscription agreement with two Pre-IPO Investors, namely Profitech Investments and Glodon. For further details of the identity and background of the Pre-IPO Investors, and the principal terms of the Pre-IPO Investments, see “History, Reorganization and Corporate Structure – Pre-IPO Investments”.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of the financial information from our combined financial information for the Track Record Period, extracted from the Accountant’s Report set out in Appendix I. The summary of combined financial data set forth below should be read together with, and is qualified in its entirety by reference to, the combined financial statements in this prospectus, including the related notes. Our combined financial information has been prepared in accordance with IFRS.

Summary of Consolidated Statements of Comprehensive Income

| | For the year ended December 31, | | | For the three months | |
|--|---------------------------------|-----------|-----------|----------------------|-----------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | (unaudited) | | | | |
| | (RMB in thousands) | | | | |
| Revenues | 579,608 | 912,795 | 1,263,969 | 194,838 | 253,790 |
| Cost of sales | (119,323) | (177,115) | (269,400) | (50,776) | (60,456) |
| Gross profit | 460,285 | 735,680 | 994,569 | 144,062 | 193,334 |
| Selling and marketing expenses | (194,461) | (342,242) | (441,124) | (69,850) | (102,337) |
| General and administrative expenses | (82,988) | (80,063) | (108,391) | (16,872) | (24,193) |
| Research and development expenses | (156,720) | (218,120) | (286,326) | (56,081) | (64,501) |
| Net impairment losses on financial assets and contract assets | (491) | (4,041) | (2,139) | (1,999) | (2,758) |
| Other income | 61,427 | 83,088 | 82,953 | 7,209 | 17,952 |
| Other gains, net | 1,540 | 5,997 | 4,549 | 1,530 | 7,526 |
| Operating profit | 88,592 | 180,299 | 244,091 | 7,999 | 25,023 |
| Finance income | 130 | 121 | 184 | 71 | 471 |
| Finance costs | (3,593) | (2,028) | (1,897) | (465) | (528) |
| Finance costs, net | (3,463) | (1,907) | (1,713) | (394) | (57) |
| Net losses upon financial liabilities at fair value through profit or loss transferred to equity | (1,847) | – | – | – | – |
| Fair value changes of convertible redeemable preferred shares | – | – | – | – | (8,987) |
| Profit before income tax | 83,282 | 178,392 | 242,378 | 7,605 | 15,979 |
| Income tax expense | (10,480) | (15,358) | (10,729) | (722) | (1,262) |
| Profit for the year/period | 72,802 | 163,034 | 231,649 | 6,883 | 14,717 |

SUMMARY

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---------------------------------------|---------------------------------|----------------|----------------|--------------------------------------|---------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | (unaudited) | |
| | (RMB in thousands) | | | | |
| Profit/(loss) attributable to: | | | | | |
| Owners of the Company | 73,151 | 157,132 | 216,421 | 5,438 | 10,055 |
| Non-controlling interests | (349) | 5,902 | 15,228 | 1,445 | 4,662 |
| | <u>72,802</u> | <u>163,034</u> | <u>231,649</u> | <u>6,883</u> | <u>14,717</u> |

Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use EBITDA, 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 to be indicative of our operating performance. 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.

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.

| | For the year ended December 31, | | | For the three months ended March 31, | |
|--|---------------------------------|----------------|----------------|--------------------------------------|---------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | (unaudited) | |
| | (RMB in thousands) | | | | |
| Reconciliation of operating income and adjusted EBITDA | | | | | |
| Operating income for the period | 88,592 | 180,299 | 244,091 | 7,999 | 25,023 |
| Add: | | | | | |
| Depreciation of right-of-use assets | 12,472 | 16,030 | 21,427 | 4,909 | 6,039 |
| Depreciation of property, plant and equipment | 3,429 | 4,625 | 6,333 | 1,275 | 1,933 |
| Amortization of intangible assets | 549 | 534 | 552 | 118 | 182 |
| EBITDA (NON-IFRS) | 105,042 | 201,488 | 272,403 | 14,301 | 33,177 |
| Add: | | | | | |
| Share-based compensation ⁽¹⁾ | 19,419 | – | – | – | – |
| Listing expenses ⁽²⁾ | – | – | 4,271 | – | 2,836 |
| Adjusted EBITDA (NON-IFRS) | 124,461 | 201,488 | 276,674 | 14,301 | 36,013 |

Notes:

- (1) Share-based compensation relates to the share rewards we offered to our employees, which is a non-cash expense that is commonly excluded from similar non-IFRS measures adopted by other companies in our industry.
- (2) Listing expenses relates to this Global Offering of the Company, which is one-off in nature and is not directly related to our operating activities.

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.

| | For the year ended December 31, | | | For the three months ended March 31, | |
|--|---------------------------------|----------------|----------------|--------------------------------------|---------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | (unaudited) | |
| | (RMB in thousands) | | | | |
| Reconciliation of net income and adjusted net income | | | | | |
| Net income for the period | 72,802 | 163,034 | 231,649 | 6,883 | 14,717 |

SUMMARY

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|---------------------------------|----------------|----------------|--------------------------------------|---------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | (unaudited) | |
| | (RMB in thousands) | | | | |
| Add: | | | | | |
| Net losses upon financial liabilities at fair value through profit or loss transferred to equity ⁽¹⁾ | 1,847 | – | – | – | – |
| Fair value changes of convertible redeemable preferred shares ⁽²⁾ | – | – | – | – | 8,987 |
| Dividends paid to holders of financial liabilities at fair value through profit or loss ⁽³⁾ | 2,191 | – | – | – | – |
| Share-based compensation ⁽⁴⁾ | 19,419 | – | – | – | – |
| Listing expenses ⁽⁵⁾ | – | – | 4,271 | – | 2,836 |
| Adjusted net income (non-IFRS) | 96,259 | 163,034 | 235,920 | 6,883 | 26,540 |

Notes:

- (1) Net losses upon financial liabilities at fair value through profit or loss transferred to equity represent the losses recognized at fair value through profit or loss when reclassifying the redeemable shares we initially issued to an investor into equity instrument due to change of contract terms. Such changes are one-off and non-cash in nature and are not directly related to our operating activities.
- (2) Fair value changes of convertible redeemable preferred shares represent the gains or losses arising from change in fair value of our issued Series A convertible redeemable preferred shares, which was recognised as a financial liability at fair value through profit or loss. Such changes are one-off and non-cash in nature and are not directly related to our operating activities.
- (3) Dividends paid to holders of financial liabilities at fair value through profit or loss represent the dividends we paid to the holders of our redeemable shares, which is one-off in nature and is not directly related to our operating activities.
- (4) Share-based compensation relates to the share rewards we offered to our employees, which is a non-cash expense that is commonly excluded from similar non-IFRS measures adopted by other companies in our industry.
- (5) Listing expenses relates to this Global Offering of the Company, which is one-off in nature and is not directly related to our operating activities.

Business Segments

The following table sets forth our revenues by business segments for the periods indicated.

| | For the year ended December 31, | | | For the year ended December 31, | | | For the three months ended March 31, | | | For the three months ended March 31, | | | For the three months ended March 31, | | |
|---------------|--|--------------|------------|---------------------------------|--------------|--------------|--------------------------------------|--------------|--------------|--------------------------------------|--------------|------------|--------------------------------------|--------------|--------------|
| | 2017 | | | 2018 | | | 2019 | | | 2019 | | | 2020 | | |
| | YoY | | | YoY | | | YoY | | | PoP | | | PoP | | |
| | Amount | % | Change | Amount | % | Change | Amount | % | Change | Amount | % | Change | Amount | % | Change |
| | (RMB in thousands, except percentages) | | | | | | | | | | | | | | |
| SaaS products | 179,491 | 31.0 | N/A | 329,293 | 36.1 | 83.5% | 509,827 | 40.3 | 54.8% | 77,873 | 40.0 | N/A | 129,647 | 51.1 | 66.5% |
| ERP solutions | 400,117 | 69.0 | N/A | 583,502 | 63.9 | 45.8% | 754,142 | 59.7 | 29.2% | 116,965 | 60.0 | N/A | 124,143 | 48.9 | 6.1% |
| Total | 579,608 | 100.0 | N/A | 912,795 | 100.0 | 57.5% | 1,263,969 | 100.0 | 38.5% | 194,838 | 100.0 | N/A | 253,790 | 100.0 | 30.3% |

The following table sets forth a breakdown of our operating profit/(losses) by business segment in absolute amounts for the periods indicated.

| | For the year ended December 31, | | | For the three months ended March 31, | | |
|---------------|---------------------------------|----------------|----------------|--------------------------------------|---------------|--|
| | 2017 | 2018 | 2019 | 2019 | 2020 | |
| | | | | (unaudited) | | |
| | (RMB in thousands) | | | | | |
| SaaS products | (50,698) | (45,114) | (41,439) | (17,875) | (7,749) | |
| ERP solutions | 157,188 | 219,362 | 284,932 | 24,344 | 28,799 | |
| Others | (17,898) | 6,051 | 598 | 1,530 | 3,973 | |
| Total | 88,592 | 180,299 | 244,091 | 7,999 | 25,023 | |

SUMMARY

We incurred operating losses for our SaaS products during the Track Record Period, primarily because our SaaS business is at its nascent stage and we have made substantial investments to drive the rapid growth of our SaaS business, which we believe are indispensable to establish compelling competitive advantages for the profitable growth of our SaaS business. See “Financial Information – Description of Major Components of Our Results of Operations – Operating Profits” for a detailed discussion of the profitability of our SaaS business.

Our ERP business has been and will continue supporting our sustainable growth given our large, growing and loyal customer base and strong product development and technology capabilities. We believe we will continue to benefit from the high visibility into the future revenues and profitability of our ERP business through executing our growth strategies for our ERP business. See “Business – Our Offerings – Our ERP Solutions – Helping Property Developers Run Their Business Optimally” for details of such growth strategies.

Summary of Consolidated Statements of Financial Position

| | As of December 31, 2017 | 2018 | 2019 | As of March 31, 2020 |
|-------------------------------|----------------------------|---------|---------|----------------------------|
| | (RMB in thousands) | | | |
| Total non-current assets | 185,043 | 236,784 | 246,200 | 249,674 |
| Total current assets | 458,415 | 549,958 | 988,488 | 899,644 |
| Total non-current liabilities | 33,789 | 48,934 | 49,085 | 45,854 |
| Total current liabilities | 272,467 | 439,811 | 914,651 | 828,054 |
| Net current assets | 185,948 | 110,147 | 73,837 | 71,590 |
| Total equity | 337,202 | 297,997 | 270,952 | 275,410 |

Our total equity decreased from RMB337.2 million as of December 31, 2017 to RMB298.0 million as of December 31, 2018, and further to RMB271.0 million as of December 31, 2019, primarily due to our dividend distribution to the then shareholders of one of our subsidiary of RMB206.4 million in 2018 and a deemed distribution to the shareholders of our Company of RMB266.4 million in 2019, respectively. Such decreases in total equity were partially offset by our net profit generated during the relevant periods. Our total equity increased from RMB271.0 million as of December 31, 2019 to RMB275.4 million as of March 31, 2020, primarily due to the increase in net profit in the first quarter of 2020.

For further details, see “Financial Information – Discussion of Certain Key Balance Sheet Items.”

Summary of Consolidated Statements of Cash Flows

| | For the year ended December 31, 2017 | 2018 | 2019 | For the three months ended March 31, 2019 | 2020 |
|--|---|-----------|----------|---|-----------|
| | (RMB in thousands) | | | (unaudited) | |
| | | | | | |
| Operating cash flows before movement in working capital | 115,001 | 182,838 | 254,898 | 11,599 | 25,040 |
| Cash flows from operating activities | | | | | |
| Cash generated from/(used in) operations | 210,029 | 298,249 | 350,197 | (75,273) | (99,607) |
| Interest received | 130 | 121 | 184 | 71 | 471 |
| Income taxes paid | (7,371) | (13,800) | (11,509) | (3,725) | (5,129) |
| Net cash generated from/(used in) operating activities | 202,788 | 284,570 | 338,872 | (78,927) | (104,265) |
| Net cash (used in)/generated from investing activities | (137,596) | 334,118 | (82,667) | (351,281) | 87,451 |
| Net cash (used in)/generated from financing activities | (35,947) | (220,931) | 29,500 | (4,510) | (6,442) |
| Net increase/(decrease) in cash and cash equivalents | 29,245 | 397,757 | 285,705 | (434,718) | (23,256) |
| Cash and cash equivalents at beginning of the year/period | 20,920 | 50,165 | 447,922 | 447,922 | 732,207 |

SUMMARY

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|---------------------------------|---------|---------|--------------------------------------|---------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | (unaudited) | |
| | (RMB in thousands) | | | | |
| Effects of exchange rate changes on cash and cash equivalents | — | — | (1,420) | — | (251) |
| Cash and cash equivalent at end of the year/period | 50,165 | 447,922 | 732,207 | 13,204 | 708,700 |

We have historically used more cash in our operating activities in the first quarter of a given year due to, in addition to the seasonality effects in our revenues as further discussed below, lump-sum payments of employee bonus and benefits that were typically made at the beginning of the year. See “Risk Factors – Risk Relating to Our Business and Industry – Our Operating Results are Subject to Seasonal Fluctuations” for details. Our cash flow position typically improves over the rest of the year when our customers commence procurement of our software solutions after their prolonged internal process and revenues from such customers ramp up accordingly. In the meantime, we also enhance our cash flow position through continuous efforts to collect payments and receivables, accelerate delivery of our software solutions and relevant prescribed services, and advance the progress of our projects with our customers.

Key Financial Ratios

The following table sets forth certain of our key financial ratios for the periods indicated.

| | For the year ended December 31, | | | For the three months ended March 31, | |
|--|---------------------------------|---------|--------|--------------------------------------|--------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | (unaudited) | |
| Total revenue growth | N/A | 57.5% | 38.5% | N/A | 30.3% |
| <i>SaaS products</i> | N/A | 83.5% | 54.8% | N/A | 66.5% |
| <i>ERP solutions</i> | N/A | 45.8% | 29.2% | N/A | 6.1% |
| Net margin | 12.6% | 17.9% | 18.3% | 3.5% | 5.8% |
| <i>SaaS products</i> | (28.4%) | (13.8%) | (8.2%) | (23.1%) | (6.1%) |
| <i>ERP solutions</i> | 36.4% | 34.7% | 36.2% | 20.0% | 22.3% |
| Non-IFRS adjusted EBITDA margin | 21.5% | 22.1% | 21.9% | 7.3% | 14.2% |
| Non-IFRS adjusted net margin | 16.6% | 17.9% | 18.7% | 3.5% | 10.5% |

During the Track Record Period, we have experienced seasonal fluctuations in our results of operations. We have historically generated lower revenue, which in turn led to lower gross profit, in our first quarter of any given year, primarily due to (i) the relatively prolonged annual budgeting and procurement cycles of our customers, especially leading property developers headquartered in tier-1 cities in China, (ii) fewer openings of new sales offices and commencement of construction projects, and (iii) slower and reduced levels of sales and marketing activities of both our direct sales force and regional channel partners, as a result of annual leave of employees and annual corporate events during the Chinese New Year holiday season. Our revenues typically ramp up in the second half of a year as normal business operations accelerate after the Chinese New Year holiday season. Seasonal fluctuations in revenues of software solution providers serving China’s real estate industry is an industry norm, according to Frost & Sullivan. Such fluctuations are generally in line with the seasonality of property development and new house sales in China. See “Risk Factors – Risk Relating to Our Business and Industry – Our Operating Results are Subject to Seasonal Fluctuations” for details.

We recorded increases in our adjusted net margin during the Track Record Period primarily due to improvement in overall operating efficiency. As our business continues to scale, we have achieved improved economies of scale and cost efficiency in general. In particular, our general and administrative expenses as a percentage of revenue significantly decreased from 14.3% in 2017 to 8.6% in 2019, primarily because we managed to streamline our daily operations by enhancing our centralized management structure, optimizing corporate functions, and applying a variety of technologies and tools at our workplace. Similarly, our research and development expenses as a percentage of revenue decreased from 27.0% in 2017 to 22.7% in 2019 as the technology foundation that we successfully built through significant investment allowed us to conduct subsequent R&D

SUMMARY

activities in a more cost-effective manner. For details, see “– Summary of Consolidated Statements of Comprehensive Income – Non-IFRS Measures” and “Financial Information – Description of Major Components of Our Results of Operations.”

KEY OPERATING DATA

The following table sets forth certain of our key operating metrics for the periods indicated:

| | Year ended December 31, | | | Three months ended March 31, |
|---|-------------------------|-------|-------|------------------------------|
| | 2017 | 2018 | 2019 | 2020 |
| Total number of paying end group customers | 2,000 | 3,200 | 4,000 | 3,500 |
| Total number of Top 100 property developers | 97 | 95 | 99 | 97 |
| ERP solutions⁽¹⁾ | | | | |
| Total number of paying end group customers | 900 | 1,200 | 1,500 | 1,000 |
| Total number of Top 100 property developers | 88 | 92 | 92 | 81 |
| SaaS products | | | | |
| Total number of paying end group customers | 1,600 | 2,500 | 3,600 | 3,100 |
| Total number of Top 100 property developers ⁽²⁾ | 95 | 94 | 97 | 94 |
| Number of paying end group customers for <i>CRM Cloud (雲客)</i> | 1,200 | 1,700 | 2,400 | 2,200 |
| Repeated customers ⁽³⁾ for <i>CRM Cloud (雲客)</i> | N/A | 920 | 1,300 | N/A |
| Number of paying end group customers for <i>Construction Cloud (雲鏈)</i> | 200 | 300 | 400 | 400 |
| Repeated customers ⁽³⁾ for <i>Construction Cloud (雲鏈)</i> | N/A | 140 | 230 | N/A |
| Number of paying end group customers for <i>Procurement Cloud (雲採購)</i> ⁽⁴⁾ | 350 | 750 | 1,100 | 800 |
| Number of paying end group customers for <i>Asset Management Cloud (雲空間)</i> ⁽⁴⁾ | 90 | 140 | 200 | 170 |

Notes:

- (1) ERP solutions are not a subscription-based software solutions. Our end customers for ERP solutions typically purchase the software license of our ERP solutions on a one-time basis, and may continuously use our ERP solutions in accordance with the terms of the license, without paying additional amount to renew the license each year and regardless of whether there is any subsequent transactions with us for our ongoing product support and other services.
- (2) refers to the number of Top 100 property developers who subscribed for at least one of our SaaS products.
- (3) for a given year refers to the number of paying end group customers in the prior year that remain as our paying end group customers in the current year.
- (4) this SaaS product is still at a nascent ramp-up stage without a meaningful track record and sufficiently large customer base to analyze customer retention. This SaaS products only contributed a very small portion of our total SaaS revenues during the Track Record Period.
- (5) unless otherwise indicated, numbers set forth in the table are approximate numbers.

RECENT DEVELOPMENT

Save as otherwise disclosed below, our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since March 31, 2020, the end of the period reported on in the Accountant’s Report set out in Appendix I to this prospectus.

Our revenues increased by 37.3% from RMB488.3 million for the six months ended June 30, 2019 to RMB670.7 million for the six months ended June 30, 2020, due to the increases in revenues generated from both of our SaaS products and ERP solutions as a result of our continuous business expansion and enhanced reputation among our existing and prospective customers.

- Revenues generated from our SaaS products increased significantly by 64.9% from RMB202.2 million for the six months ended June 30, 2019 to RMB333.4 million for the six months ended June 30, 2020, primarily attributable to increase in revenues derived from our *CRM Cloud (雲客)*, as a result of (i) the growing market acceptance of its

SUMMARY

cloud-based product functions, especially amidst the COVID-19 outbreak during which our SaaS products experienced greater demands since they effectively addressed pandemic-related challenges by digitally facilitating our end customers' business operations while minimizing or eliminating the need for direct person-to-person contact, and (ii) successful cross-sales among our existing customers between SaaS products and ERP solutions.

- Revenues generated from our ERP solutions increased by 17.9% from RMB286.2 million for the six months ended June 30, 2019 to RMB337.3 million for the six months ended June 30, 2020, mainly due to increases in revenues derived from our value-added services and implementation services, which were primarily attributable to our expanded ongoing customer service capacity and enhancement of our centralized management and dispatch of technical specialists.

We reported gross profit of RMB529.4 million for the six months ended June 30, 2020, as compared to that of RMB377.0 million for the six months ended June 30, 2019. Gross profit from our SaaS products increased from RMB190.4 million for the six months ended June 30, 2019 to RMB301.5 million for the six months ended June 30, 2020. Gross profit from our ERP solutions increased from RMB186.6 million for the six months ended June 30, 2019 to RMB227.9 million for the six months ended June 30, 2020.

The financial data of the Group for the six months ended June 30, 2020 disclosed above are derived from the Company's unaudited interim financial statements for the six months ended June 30, 2020, which have been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" and reviewed by our reporting accountant in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

COVID-19 Outbreak and Effects on Our Business

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China has imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. As of the Latest Practicable Date, most Chinese cities had eased or lifted travel restrictions and resumed work and production.

To varying degrees, our business operations, including both of our ERP and SaaS businesses, had been affected by the COVID-19 outbreak, as discussed in more details below. Due to the nationwide lockdowns across China during the COVID-19 outbreak, certain of our marketing activities and customer services had been temporarily delayed to the extent that physical meetings with our customers or large-scale onsite services were otherwise required or preferred. Despite the temporary disruptions, based on the knowledge of our Directors, as of the Latest Practicable Date, there had not been any cancellation of any of our major ongoing projects due to our failure to deliver our services in time as a result of the COVID-19 outbreak. For more details related to the COVID-19 outbreak, its effects on our business and our remedial measures, see "Financial Information – COVID-19 Outbreak and Effects on Our Business."

DIVIDENDS

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

No dividends have been paid or declared by our Company since its incorporation. Ming Yuan Cloud Technology, a subsidiary of our Company, had paid dividends of RMB32,528,000, RMB206,434,000, nil, nil and nil to its then shareholders for the years ended 31 December 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020. Currently, we do not have a fixed dividend distribution ratio.

SUMMARY

GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue (assuming the Series A Preferred Shares are converted into ordinary shares on a 1:1 basis) and to be issued as mentioned in this prospectus.

374,204,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 37,422,000 Shares (subject to reallocation) as described in “Structure of the Global Offering – The Hong Kong Public Offering”; and
- (b) the International Offering of initially 336,782,000 Shares (subject to reallocation and the Over-allotment Option) (i) sold to QIBs pursuant to exemption from registration requirements of the U.S. Securities Act under Rule 144; and (ii) sold outside of the United States via offshore transactions pursuant to Regulation S, as described in “Structure of the Global Offering – The International Offering”.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 20.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 22.3% of the total Shares in issue immediately following the completion of the Global Offering.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that: (i) the Global Offering has been completed and 374,204,000 Shares are issued pursuant to the Global Offering, (ii) all of the Series A Preferred Shares have been converted into ordinary shares of our Company on a 1:1 basis, (iii) the Over-allotment Option is not exercised, and (iv) 1,871,019,990 Shares are issued and outstanding following the completion of the Global Offering.

| | Based on an Offer Price of HK\$15.00 per Offer Share | Based on an Offer Price of HK\$16.50 per Offer Share |
|--|---|---|
| Market capitalization immediately after the Global Offering | HK\$28,065 million | HK\$30,872 million |
| Unaudited pro forma adjusted net tangible assets per Share | HK\$3.23 | HK\$3.52 |

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions, and other fees incurred in connection with the Global Offering. The estimated total listing expenses (based on the mid-point of the Offer Price range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB227.4 million (equivalent to approximately HK\$257.9 million, accounting for approximately 4.4% of our gross proceeds. Approximately RMB191.7 million (equivalent to approximately HK\$217.4 million) of the estimated listing expenses is directly attributable to the issue of new Shares to the public and will be account for as a deduction from equity upon completion of the Global Offering. The remaining estimated listing expenses of approximately RMB35.7 million (equivalent to approximately HK\$40.5 million) was or will be charged to profit or loss, of which, nil, nil, approximately RMB4.3 million (equivalent to approximately HK\$4.8 million) and approximately RMB2.8 million (equivalent to approximately HK\$3.2 million) were charged in the years ended 31 December 2017, 2018, 2019 and three months ended 2020 respectively. Approximately RMB28.6 million (equivalent to approximately HK\$32.4 million) is expected to be charged in profit or loss before or upon completion of the Global Offering. This calculation is subject to adjustment based on the actual amount incurred or to be incurred.

SUMMARY

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised):

| | |
|--|------------------------|
| Assuming an Offer Price of HK\$15.75 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) | HK\$5,635.9 million |
| Assuming an Offer Price of HK\$16.50 per Offer Share (being the high end of the Offer Price range stated in this prospectus) | HK\$5,906.7 million |
| Assuming an Offer Price of HK\$15.00 per Offer Share (being the low end of the Offer Price range stated in this prospectus) | HK\$5,365.0 million |

We intend to use the net proceeds as follows (based on the mid-point of the Offer Price range stated in this prospectus):

- approximately 30%, or HK\$1,690.8 million, will be used over the next one to five years to further upgrade and enhance the functionalities and features of our existing SaaS products, with a goal to address more diversified business scenarios and continuously improve the user experience of such SaaS products;
- approximately 20%, or HK\$1,127.2 million, will be used over the next one to five years to enhance research and development efforts in cutting-edge technologies such as AIoT, data analytics and virtual reality;
- approximately 10%, or HK\$563.6 million, will be used over the next one to three years to further upgrade and enhance the functionalities and features our cloud-based ERP solutions;
- approximately 10%, or HK\$563.6 million, will be used over the next one to three years to enhance our sales and marketing capabilities and strengthen our brand reputation among China's real estate market participants;
- approximately 20%, or HK\$1,127.2 million, will be used to selectively pursue strategic investments and acquisitions that we believe will allow us to expand our existing SaaS product offerings, enhance our technology capabilities, and acquire customers in selected markets, with a goal to complement our organic business growth and fulfill our mission to intelligize the real estate value chain; and
- the remaining approximately 10%, or HK\$563.6 million, will be used for working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of approximately HK\$853.0 million for 56,130,000 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$15.75 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on pro-rata basis.

For further details, see "Future Plans and Use of Proceeds."

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

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| “%” | per cent |
| “affiliate” | with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person |
| “Application Form(s)” | WHITE Application Form(s), YELLOW Application Form(s) or GREEN Application Form(s), individually or collectively, as the context so requires, which is used in relation to the Hong Kong Public Offering |
| “Articles” or “Articles of Association” | the amended and restated articles of association of our Company conditionally adopted on September 4, 2020 which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III to this prospectus |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Audit Committee” | the audit committee of the Board |
| “Audited Financial Statements” | the audited combined financial statements of our Group for the financial years ended December 31, 2017, 2018 and 2019 and for the three months ended March 31, 2020 as included in the section headed “Accountant’s Report” in Appendix I to this prospectus |
| “Board” | the board of directors of our Company |
| “business day” | any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business |
| “BVI” | the British Virgin Islands |

DEFINITIONS

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| “CAC” | Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) |
| “Cayman Companies Law” or “Companies Law” | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands |
| “Cayman Registrar” | the Registrar of Companies of the Cayman Islands |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Clearing Participant” | a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant |
| “CCASS Custodian Participant” | a person admitted to participate in CCASS as a custodian participant |
| “CCASS Investor Participant” | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| “CCASS Participant” | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| “China” or “PRC” | People’s Republic of China, except where the context requires otherwise and only for the purposes of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Company”, “our Company”, or “the Company” | Ming Yuan Cloud Group Holdings Limited (明源雲集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on July 3, 2019 |

DEFINITIONS

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| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “connected transaction(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consolidated Affiliated Entity” | the entity that we control through the Contractual Arrangements which is Ming Yuan Cloud Procurement |
| “Contractual Arrangement(s)” | the series of contractual arrangements entered into by Ming Yuan Cloud Technology with Ming Yuan Cloud Procurement, the Relevant Shareholders and Shenzhen Mingyuan Cloud Tai Qi Investment Partnership (Limited Partnership) (深圳市明源雲泰啟投資合夥企業(有限合夥)) (as applicable), details of which are described in the section headed “Contractual Arrangements” in this prospectus |
| “Controlling Shareholders” or “Individual Controlling Shareholders” | has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Gao, Mr. Chen, Mr. Jiang, GHTongRui Investment Limited, MYTongRui Holdings Limited, GHTongRui Holdings Limited, HengXinYuan Investment Limited, SunshineMorning Holdings Limited, HengXinYuan Holdings Limited, LINGFAN Investment Limited, Mindfree Holdings Limited and BANGZHEN Holdings Limited. Each of Mr. Gao, Mr. Chen and Mr. Jiang is an Individual Controlling Shareholder. See the section headed “Relationship with the Controlling Shareholders” in this prospectus. |
| “core connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Corporate Governance Code” | the Corporate Governance Code set out in Appendix 14 to the Listing Rules |
| “CSRC” | China Securities Regulatory Commission |
| “Director(s)” | the director(s) of our Company |
| “Extreme Conditions” | Any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date |

DEFINITIONS

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| “FITE Regulations” | the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council on December 11, 2001 and last amended on February 6, 2016 |
| “GAC” | the General Administration of Customs of the PRC (中華人民共和國海關總署) |
| “GDP” | Gross Domestic Product |
| “Global Offering” | the Hong Kong Public Offering and the International Offering |
| “Governmental Authority” | any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational |
| “GREEN Application Form(s)” | the application form(s) to be completed by the White Form eIPO Service Provider designated by our Company, Computershare Hong Kong Investor Services Limited |
| “Group”, “our 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 |
| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “HKSCC Nominees” | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |

DEFINITIONS

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| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong dollars” or “HK dollars” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong Offer Shares” | the 37,422,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) |
| “Hong Kong Public Offering” | the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus |
| “Hong Kong Share Registrar” | Computershare Hong Kong Investor Services Limited |
| “Hong Kong Takeovers Code” or “Takeovers Code” | Code on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| “Hong Kong Underwriters” | the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus |
| “Hong Kong Underwriting Agreement” | the underwriting agreement, dated September 14, 2020, relating to the Hong Kong Public Offering, entered into by our Company, Mr. Gao Yu, Mr. Chen Xiaohui, Mr. Jiang Haiyang, the Joint Sponsors and the Hong Kong Underwriters as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering” in this prospectus |
| “IAS” | International Accounting Standards |
| “IASB” | International Accounting Standards Board |

DEFINITIONS

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| “ICP License” | Value-added Telecommunications Services Operating Permit for Internet Information Services |
| “IFRS” | International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the IASB |
| “Independent Third Party” or “Independent Third Parties” | any entity or person who is not a connected person of our Company or an associate of any such person within the meaning ascribed thereto under the Listing Rules |
| “International Offer Shares” | the 336,782,000 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be allotted and issued by our Company, pursuant to any exercise of the Over-allotment Option, subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering” in this prospectus |
| “International Offering” | the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus |
| “International Underwriters” | the underwriters of the International Offering |
| “International Underwriting Agreement” | the international underwriting agreement relating to the International Offering and expected to be entered into by our Company, Mr. Gao Yu, Mr. Chen Xiaohui, Mr. Jiang Haiyang, the Joint Global Coordinators and the International Underwriters on or about September 18, 2020, as further described in the section headed “Underwriting – Hong Kong Public Offering – International Offering” in this prospectus |
| “Joint Bookrunners” | the joint bookrunners as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus |

DEFINITIONS

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| “Joint Global Coordinators” | China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited |
| “Joint Lead Managers” | the joint lead managers as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus |
| “Joint Sponsors” | China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited |
| “Latest Practicable Date” | September 6, 2020, being the latest practicable date for ascertaining certain information in this prospectus before its publication |
| “Laws” | all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions |
| “Listing” | the listing of the Shares on the Main Board of the Stock Exchange |
| “Listing Committee” | the Listing Committee of the Stock Exchange |
| “Listing Date” | the date, expected to be on or about September 25, 2020, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| “Main Board” | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange |

DEFINITIONS

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| “Memorandum” or “Memorandum of Association” | the amended and restated memorandum of association of our Company conditionally adopted on September 4, 2020 which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III to this prospectus |
| “MIIT” | the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry) |
| “Ming Yuan Cloud Calculation” | Shenzhen Mingyuan Cloud Computing Co., Ltd. (深圳市明源雲計算有限公司), a limited liability company established in Shenzhen, the PRC on March 8, 2016, one of our wholly-owned subsidiaries |
| “Ming Yuan Cloud Chain” | Shenzhen Mingyuan Cloud Chain Internet Technology Limited (深圳市明源雲鏈互聯網科技有限公司), a limited liability company established in Shenzhen, the PRC on April 12, 2019, one of our non-wholly owned subsidiaries |
| “Ming Yuan Cloud Client” | Shenzhen Mingyuan Yunke Electronic Commerce Co., Ltd. (深圳市明源雲客電子商務有限公司), a limited liability company established in Shenzhen, the PRC on July 30, 2014, one of our non-wholly owned subsidiaries |
| “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 April 22, 2014 and is our Consolidated Affiliated Entity by virtue of the Contractual Arrangements |
| “Ming Yuan Cloud Space” | Shenzhen Mingyuan Cloud Space Electronic Commerce Co., Ltd. (深圳市明源雲空間電子商務有限公司), previously known as Shenzhen Mingyuan Cloud Services Electronic Business Limited (深圳市明源雲服務電子商務有限公司), a limited liability company established in Shenzhen, the PRC on August 6, 2015, one of our non-wholly owned subsidiaries |

DEFINITIONS

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| “Ming Yuan Cloud Technology” | Shenzhen Mingyuan Cloud Technology Co., Ltd. (深圳市明源雲科技有限公司) (formerly known as Shenzhen Ming Yuan Software Limited (深圳市明源軟件股份有限公司) and Shenzhen Ming Yuan Tuo Zhan Software Technology Limited (深圳市明源拓展軟件科技有限公司)), a limited liability company established in Shenzhen, the PRC on November 27, 2003, one of our wholly-owned subsidiaries |
| “MOF” | the Ministry of Finance of the PRC (中華人民共和國財政部) |
| “MOFCOM” | the Ministry of Commerce of the PRC (中華人民共和國商務部) |
| “Mr. Chen” or “Mr. Chen Xiaohui” | Mr. Chen Xiaohui (陳曉暉), an executive Director, our Vice President and one of our Controlling Shareholders |
| “Mr. Gao” or “Mr. Gao Yu” | Mr. Gao Yu (高宇), an executive Director, Chairman of the Board and one of our Controlling Shareholders |
| “Mr. Jiang” or “Mr. Jiang Haiyang” | Mr. Jiang Haiyang (姜海洋), an executive Director, our Chief Executive Officer and one of our Controlling Shareholders |
| “NDRC” | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| “NEEQ” | the National Equities Exchange and Quotations, a PRC over-the-counter system for trading shares of public companies |
| “Nomination Committee” | the nomination committee of the Board |
| “NPC” | the National People’s Congress of the PRC (中華人民共和國全國人民代表大會) |

DEFINITIONS

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| “Offer Price” | the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus |
| “Offer Share(s)” | the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option |
| “Over-allotment Option” | the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 56,130,000 Shares (representing in aggregate approximately 15% of the initial Offer Shares) to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering – Over-allotment Option” in this prospectus |
| “PBOC” | the People’s Bank of China |
| “PRC GAAP” | the PRC Accounting Standards and Accounting Regulations for Business Enterprises (《中國企業會計準則》) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time |
| “PRC Legal Advisor” | DeHeng Law Offices (Shenzhen) |
| “Pre-IPO Investment(s)” | the investment(s) in our Company undertaken by the Pre-IPO Investors prior to the Global Offering, the details of which are set out in the section headed “History, Reorganization, and Corporate Structure – Pre-IPO Investments” in this prospectus |

DEFINITIONS

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| “Pre-IPO Investors” | holders of the Series A Preferred Shares who have subscribed for the Series A Preferred Shares prior to the Global Offering as described in the section headed “History, Reorganization and Corporate Structure – Pre-IPO Investments” |
| “Price Determination Agreement” | the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price |
| “Price Determination Date” | the date, expected to be on or about September 18, 2020 and in any event no later than September 21, 2020, on which the Offer Price is to be fixed by an agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) |
| “Principal Share Registrar” | Conyers Trust Company (Cayman) Limited |
| “prospectus” | this prospectus being issued in connection with the Hong Kong Public Offering |
| “QIB” | a qualified institutional buyer within the meaning of Rule 144A |
| “Regulation S” | Regulation S under the U.S. Securities Act |
| “Relevant Shareholder(s)” | collectively, Mr. Gao, Mr. Chen and Mr. Jiang as registered shareholders of Ming Yuan Cloud Procurement |
| “Remuneration Committee” | the remuneration committee of the Board |
| “Reorganization” | the reorganization arrangements undertaken by our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganization and Corporate Structure – Reorganization” in this prospectus |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of China |
| “RSU(s)” | a restricted share unit award to be granted to a participant under the Share Incentive Plan |
| “Rule 144A” | Rule 144A under the U.S. Securities Act |

DEFINITIONS

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| “SAFE” | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| “SAIC” | the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has been merged into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) |
| “SAMR” | the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) |
| “SASAC” | the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會) |
| “SAT” | the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) |
| “SCNPC” | the Standing Committee of National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) |
| “Securities and Futures Ordinance” or “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Series A Preferred Shares” | the redeemable and convertible series A preferred shares of our Company with nominal value of HK\$0.0001 per share following the Share Subdivision which were issued to the Pre-IPO Investors as described in the section headed “History, Reorganization and Corporate Structure – Pre-IPO Investments” in this prospectus |
| “SFC” | Securities and Futures Commission of Hong Kong |
| “Share Incentive Plan” | the share incentive plan of our Company adopted by the Board on March 29, 2020, the principal terms of which are set out in the section headed “Appendix IV. Statutory and General Information – D. Share Incentive Plan” in this prospectus |

DEFINITIONS

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| “Share Subdivision” | the subdivision of each issued and unissued ordinary share and the Series A Preferred Shares of HK\$0.001 nominal value each of our Company into 10 Shares of HK\$0.0001 nominal value each with effect from March 31, 2020, the details of which are described in the section headed “History, Reorganization, and Corporate Structure – Reorganization – IX. Share Subdivision” in this prospectus |
| “Shareholder(s)” | holder(s) of our Share(s) |
| “Shares” | ordinary share(s) in the share capital our Company, following the Share Subdivision, with a nominal value of HK\$0.0001 each |
| “Stabilizing Manager” | China International Capital Corporation Hong Kong Securities Limited |
| “State Council” | the State Council of the PRC (中華人民共和國國務院) |
| “Stock Borrowing Agreement” | means the Stock Borrowing Agreement to be entered into between CICC (as the borrower) and GHTongRui Investment Limited (as the lender) on around the Pricing Determination Date, according to which CICC may borrow up to 56,130,000 Shares to settle the over-allocation in the International Offering |
| “subsidiary” or “subsidiaries” | has the meaning ascribed thereto it in section 15 of the Companies Ordinance |
| “substantial shareholder” | has the meaning ascribed to it in the Listing Rules |
| “the Hong Kong Stock Exchange” or “the Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Track Record Period” | the three financial years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020 |
| “Underwriters” | the Hong Kong Underwriters and the International Underwriters |
| “Underwriting Agreements” | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |

DEFINITIONS

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| “United States”, “U.S.” or “US” | United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| “US dollars”, “U.S. dollars” or “US\$” | United States dollars, the lawful currency of the United States |
| “U.S. Securities Act” | United States Securities Act of 1933, as amended |
| “VAT” | value-added tax |
| “WHITE Application Form(s)” | the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own name |
| “White Form eIPO” | the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO at www.eipo.com.hk |
| “White Form eIPO Service Provider” | Computershare Hong Kong Investor Services Limited |
| “Wuhan Ming Yuan Cloud Technology” | Wuhan Mingyuan Cloud Technology Co., Ltd. (武漢明源雲科技有限公司), a limited liability company established in Wuhan, the PRC on July 12, 2016, one of our wholly-owned subsidiaries |
| “Wuhan Ming Yuan Excel” | Wuhan Mingyuan Zhuoyue Information Technology Service Co., Ltd. (武漢明源卓越信息技術服務有限公司), a limited liability company established in Wuhan, the PRC on November 24, 2010, one of our wholly-owned subsidiaries |
| “Wuhan Ming Yuan Power” | Wuhan Mingyuan Dongli Software Co., Ltd. (武漢明源動力軟件有限公司), a limited liability company established in Wuhan, the PRC on April 8, 2008, one of our wholly-owned subsidiaries |
| “YELLOW Application Form(s)” | the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS |

DEFINITIONS

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this prospectus are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

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| “AI” | artificial intelligence |
| “AIoT” | artificial intelligence of things, the combination of artificial intelligence technologies with the Internet of Things (IoT) infrastructure to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics |
| “app” or “application” | application software designed to run on smartphones and other mobile devices |
| “architecture” | the structure under which an information system’s hardware, software, data and communication capabilities are put together |
| “CAGR” | compound annual growth rate |
| “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 account retention rate” | for a given period, with respect to our <i>CRM Cloud (雲客)</i> , is calculated as the total number of customer accounts registered with <i>CRM Cloud (雲客)</i> in the prior period that remain registered in the current period, divided by the total number of customer accounts registered with such product in such prior period. We treat each distinguishable customer account as a separate customer account even though some paying end group customers may access our <i>CRM Cloud (雲客)</i> , using more than one customer account |

GLOSSARY OF TECHNICAL TERMS

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| “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 |
| “customer retention rate” | for a given period is calculated as the number of paying end group customers in the prior period that remain as our paying end group customers in the current period, divided by the number of all paying end group customers in such prior period |
| “data analytics” | the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions |
| “DevOps Platform” | a platform that combines software development and information technology operations to shorten the cycle of building and delivering features, fixes and updates to users while keeping software solutions reliable, scalable and secure |
| “ERP” | enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources |
| “IaaS” | infrastructure as a service, a category of cloud computing service that provides virtualized computing resources over the Internet |
| “PaaS” | platform as a service, a category of cloud computing services that provides a platform and environment to allow developers to build applications over the Internet |

GLOSSARY OF TECHNICAL TERMS

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| “paying end group customer” | a legal entity that (i) is the largest shareholder of a customer entity with at least 30% of voting interests of such customer entity; (ii) is the largest shareholder owning at least 30% of voting interests of a legal entity that owns at least 50% of voting interests of a customer entity; or (iii) owns at least 50% of voting interests of a legal entity that owns at least 30% of voting interests of a customer entity, together with such affiliated customer entities, are deemed as one paying end group customer. For avoidance of doubt, in respect of ERP solutions, we generate revenues from direct sales to our paying end group customers and sales to our regional channel partners, and in respect of SaaS products, we generate revenues from sales to our paying end group customers both directly and through our regional channel partners |
| “PC” | personal computer |
| “POS” | point of sale |
| “revenue retention rate” | for a given period is calculated as the total revenues from all paying end group customers in the prior period that remain as our paying end group customers in the current period, divided by total revenues from all paying end group customers in that prior period |
| “SaaS” | software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted |
| “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 2019 |

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “aim”, “aspire”, “objective”, “target”, “schedules”, and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our future business development, financial condition and results of operations;
- our business strategies and plans to carry out these strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with our customers and other business partners;
- general economic, political and business conditions in the industries and markets in which we operate;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section in this headed “Risk Factors” in this prospectus.

FORWARD-LOOKING STATEMENTS

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If we fail to improve and enhance the functions, performance, reliability, design, security, and scalability of our software solutions to suit our customers’ evolving needs, we may lose our customers.

The market for software solutions to the real estate value chain in China in which we operate and compete is constantly changing with innovations. Our success has been based on our dedication to the development of software solutions in the real estate industry and our ability to identify and meet the business needs of our customers. For further information on our software solutions, see “Business – Our Offerings.” Our ability to continue to attract and retain customers and increase sales depends largely on our ability to continue improving and enhancing the functions, performance, reliability, design, security, and scalability of our software solutions.

We may experience difficulties in developing new technologies as it is costly and time consuming, which in turn could delay or prevent the development, introduction or implementation of new products, services and enhancements. While we have invested a significant amount of time and money in software development to date, we may not have sufficient resources to invest into the same level going forward. In addition, our in-house developers may spend two weeks to code, update and test our SaaS products, and two to six months with respect to our ERP solutions. To the extent we are unable to improve and enhance the functions, performance, reliability, design, security, and scalability of our software solutions in a manner that timely responds to our customers’ evolving needs, we may lose our customers and our business, financial condition, results of operations, and prospects may be materially and adversely affected.

RISK FACTORS

A downturn or any adverse developments in China’s real estate industry may decrease the demand for our software solutions.

Since our software solutions are offered to industry participants along the real estate value chain, primarily property developers, our operational and financial performances are subject to upturns and downturns of the real estate industry in China. The PRC real estate market may be adversely affected by various factors including the macro-economy in China, demand and supply for real properties, seasonality, availability of alternative investments, inflation, and any macroeconomic control measures implemented by the PRC government. Many of these factors are beyond our control. A downturn or any adverse developments in the PRC real estate market may decrease the demand for our software solutions and diminish our ability to generate profits.

Our success depends on the growth in market acceptance for our software solutions.

Our success depends on the willingness of our existing and potential customers, such as property developers in China, to use third-party ERP solutions and SaaS products. The acceptance for our software solutions largely depends on the overall growth of the market for software solution to the real estate value chain in China. The expansion of the market, in turn, depends on a number of factors, including the cost, performance, and perceived value associated with cloud computing as well as the ability of service providers to address security and privacy concerns. If we or other major service providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for software solutions to the real estate value chain in China as a whole, including our products and services, may be negatively affected. If cloud-based services do not achieve widespread adoption, or there is a reduction in demand for such services caused by a lack of market acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, the market for our software solutions may not develop and our business, financial conditions, results of operations and prospect could be materially and adversely affected.

We operate in a competitive market and may not be able to compete successfully against our existing and future competitors.

We face competition in various aspects of our business, including research and development capabilities, customer services and retention, talents, brand awareness, commercial relationships and financial, technical, marketing and other resources. Our competitors may be able to develop products better received by property developers or may be able to respond more quickly and effectively to new opportunities and changing technologies, regulations and customers’ needs. In addition, some of our competitors may quickly expand their existing customer base and sales network and adopt more aggressive pricing policies and offer more attractive sales terms. This could cause us to lose potential sales or compel us to sell our products and services at lower prices to remain competitive, which may have a material adverse impact on our results of operation and financial condition.

RISK FACTORS

We may be subject to more competition if any of our competitors enter into business partnerships or alliances or raise significant capital, or if established companies from other market segments or geographical markets expand into our market segment or geographical market. Any existing or potential competitor may also choose to operate based on a different pricing model or lower their price in order to increase their market share. If we are unable to compete successfully against our current or potential competitors, our business, financial condition, and results of operations may be materially and adversely impacted.

If we fail to maintain and grow our customer base, keep our customers engaged through our products and services, and expand our SaaS business, our business growth may not be sustainable.

To achieve the sustainable growth of our business, we must continuously dedicate to attract new customers, retain existing customers and increase their incremental spending on our products and services. This requires thorough understanding of our customers' evolving needs in their changing businesses and timely launching new products and improving our existing products to keep our customers engaged. If we fail to correctly identify our customers' demands or continuously provide them with products and services that add value to their businesses, our customers may be reluctant to increase their spending on our products and services, and as a result, the growth of our business may be stalled.

In addition, our future success largely depends on our ability to develop and expand our SaaS business. We launched our SaaS business in 2014 and it has since then achieved a significant growth. During the Track Record Period, revenue generated from our SaaS business was RMB179.5 million, RMB329.3 million, RMB509.8 million and RMB129.6 million for 2017, 2018 and 2019 and for the three months ended March 31, 2020, respectively, representing a CAGR of 68.5% from 2017 to 2019. We cannot assure you that we will achieve similar growth rates for our SaaS business in the future. Despite our efforts in researching and developing technology-driven and SaaS products, we cannot assure you that our existing and future SaaS products will sustain the current level of popularity. Customers may not choose or continue to use our SaaS products if our SaaS products become outdated or if our competitors offer superior and customer-friendly products and services. As a result, our SaaS business may not grow at a rate we anticipate or at all, which may, in turn, materially and adversely affect our business, results of operations, financial condition and prospects.

We have a history of net losses in our SaaS business segment, and we may not be able to achieve profitability in the future.

We have incurred net losses of RMB50.9 million, RMB45.3 million, RMB41.8 million and RMB7.9 million for the years ended December 31, 2017, 2018 and 2019 and for the three months ended March 31, 2020, respectively, for our SaaS business segment and could continue to incur net losses in the future. Such losses were primarily attributable to the substantial investment in product development, technology support and marketing of our SaaS products as we continued to drive the rapid growth of our SaaS business during the Track Record Period. We intend to continue investing in expanding our SaaS business, upgrading our technology,

RISK FACTORS

increasing our sales and marketing efforts, and expanding into new geographical markets in China. Our efforts to grow our SaaS business may be more costly than we expect, and we may not be able to increase our net revenues enough to offset our increasing operating expenses. If we are unable to achieve and sustain profitability, the value of our business and Shares may significantly decrease. Furthermore, it is difficult to predict the growth rate of our market, customer demands for our SaaS products and retention rate and competitiveness of our SaaS products in the future. As a result, our SaaS business segment may not become or remain profitable, and our business, financial conditions, results of operations and prospect could be materially and adversely affected and our share price may decrease significantly.

If we fail to continue innovating and keep pace with technological developments, our business may be materially and adversely affected.

The industry we operate is characterized by fast changing technologies and customer demands, and rapid development and continued enhancement of software solutions. Although we have been successful in capturing the market opportunities created by the digital transformation in the real estate market in China, to remain competitive, we must continue to stay abreast of the continuously evolving industry trends and rapid technological developments. We have invested and intend to continue investing significant resources in cutting-edges technologies, including AIoT, cloud computing, data analytics and virtual reality, to enhance our products in different business scenarios. Nevertheless, we may not be able to leverage new technologies effectively or adapt our products to meet customers' needs or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions, whether for technical, legal, financial or other reasons, our business may be materially and adversely affected. Moreover, our success will depend partially on our ability to continuously identify, develop, acquire, protect or license advanced and new technologies that are valuable to our products and services. Failure to do so could render our existing products and services obsolete and unappealing, thereby adversely affecting our business prospects.

In addition, because our services are designed to operate over various networks, across numerous mobile devices, operating systems, and computer hardware and software platforms using a standard browser, we will need to continuously modify and enhance our services to keep pace with changes in Internet-related hardware, software, communication, browser, application software development platform and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to the market in a timely manner. Moreover, uncertainties regarding the timing and nature of the development in network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development or service delivery expenses. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our products and services, result in customer dissatisfaction, and adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

Our initiatives to develop new products and introduce new technologies may not succeed, which may limit our future growth.

We have invested and plan to continue investing heavily in research and development of new products. However, positive research results may not lead to commercially successful products. The new products we develop may not be commercially viable and may not reach the industry standards or meet customers' needs. As a result, we cannot assure you that our efforts in research and development will translate into commercial success.

In addition, radical technological changes may not be well received by the market or lead to a long-term success. For example, we started to provide cloud-based ERP solutions in 2017, which enables us to improve deployment and operational efficiency and better control costs. Despite our belief that cloud-based ERP solutions is a superior alternative to the previous versions of our ERP solutions, property developers in China may not be willing to undertake such technological changes. Moreover, cloud delivery may impose new challenges on our technological capabilities. Our failure to implement cloud ERP solutions and provide satisfactory maintenance and support to potential customers may limit our business growth.

Our overall profitability may be affected by changes in sales channel mix with respect to both our ERP and SaaS businesses as well as the service mix of our ERP solutions.

We sell and deliver our ERP solutions and SaaS products through our direct sales force in tier-1 cities in China and an extensive network of regional channel partners elsewhere across China. Although we are not able to separately track the profitability of either ERP solutions or SaaS products by sales channel as neither business segment is managed in a way that all costs and expenses are separable, we believe there are variances in the profitability levels of the two different sales channels given the inherent differences of costs and expenses structure of such sales channels, and in particular, the considerable amounts of discounts and sales commissions we offered to our regional channel partners. As such, the overall profitability of both our ERP and SaaS segments is subject to changes in the sales channel mix. Although our management dynamically monitors and optimizes the allocation of our sales and marketing resources based on our business expansion plans at different growth stages, there is nonetheless no guarantee that we will always be able to optimize the sales channel mix in order to achieve an optimal balance of rapid revenue growth and sustainable profitability at scale. If we fail to do so, our overall profitability, financial performance and business prospects may be materially adversely affected.

In addition, our ERP solutions comprise of different service types, namely software licensing, implementation services, product support services and value-added services, which have different cost structures and profitability profiles. For example, software licensing, being the largest revenue contributor to our ERP solutions, has a higher profit margin due to its limited incremental costs. In contrast, the provision of other ERP services requires additional labor and other costs associated with on-premise implementation and continuous staff support.

RISK FACTORS

As such, the overall profitability of our ERP business also depends on the service mix. If we are unable to continuously optimize such service mix, the profitability of our ERP solutions may be materially and adversely affected.

Our business operations have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak.

Since late 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China has imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

To varying degrees, our business operations have been affected by the COVID-19 outbreak. With respect to our ERP business, as it involves substantial offline sales and marketing efforts and ongoing communications and interactions with our customers, it had been affected by the COVID-19 outbreak during the nationwide lockdowns across China to the extent physical meetings with our customers to promote our services, implement our ERP solutions and provide ongoing support and services were otherwise required or preferred. Accordingly, certain of our prospective ERP projects under discussion with our customers had been canceled, postponed or split into multiple purchases with an extended procurement cycle, which led to delays in revenue recognition. In addition, we operate a research and development center (the “**Wuhan R&D Center**”) located in Wuhan, China, where we had 1,013 full-time employees as of the Latest Practicable Date. The Wuhan R&D Center primarily engages in product development, product support services and value-added services, among others. During the COVID-19 outbreak, the city of Wuhan had been under a complete lockdown from late January 2020 to early April 2020 with stringent restrictions on mobility and travel in an effort to curb the spread of the virus, which had to some extent disrupted the normal operation of the Wuhan R&D Center.

While we have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations, we cannot assure you that our efforts will always be effective or at all. Furthermore, we may in the future experience additional disruptions that could materially and adversely impact our business operations, financial condition and results of operations, including but not limited to:

- delays in the property development and sales operations of property developers across China due to reduced level of economic activities and lockdown restrictions, which in turn affected the short-term budgets and financial planning of such property developers and other industry participants along the real estate value chain;
- decrease in number of customers;
- decreases in demand for our software solutions;

RISK FACTORS

- delays in the timing of purchasing decisions and sales and implementation cycles of our software solutions by our existing or prospective customers;
- inefficiencies, delays and additional costs in our product development, sales, marketing and customer service efforts;
- service interruptions or impaired system performance due to failures of or delays in our systems or resources in light of increasing usage of our cloud-based software solutions including our SaaS products;
- delays or failure to collect receivables from our customers impacted by the COVID-19 outbreak;
- the possibility that one or more clusters of COVID-19 cases could occur at one of our locations, third-party cloud computing platform providers or other third-party providers, affecting our employees or the systems or employees of our customers or other third parties on which we depend, such as our regional channel partners; and
- challenges to our systems supporting our remote workforce, due to the higher demand of such systems and the related software and hardware to support such remote working conditions.

We may also take further actions as may be required by government authorities or as we determine are in the best interests of our employees, customers and business partners which could further adversely impact our business operations.

To the extent the COVID-19 outbreak adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, such as those relating to our ability to improve and enhance our products and services, our ability to expand our customer base, our ability to continue technology and product innovations, and our ability to conduct our marketing activities cost-effectively.

There are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change, even though conditions have been gradually improving in China where we conduct substantially all of our business. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. The extent to which the COVID-19 outbreak may impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak, the effectiveness of travel restrictions and other measures to contain the outbreak and its impact, such as social distancing, quarantines and lockdowns across China where we, our customers and regional channel partners operate. For more information on the impact of the COVID-19 outbreak on our business, see “Summary – Recent Developments – COVID-19 Outbreak and Effects on Our Business.”

RISK FACTORS

If our software solutions contain material errors, defects or security issues, we may lose our customers, fail to honor our obligations in respect of our contract liabilities, and incur significant remedial costs.

Our software solutions often by their nature contain technological errors, defects and security issues that are difficult to detect and rectify, particularly when first introduced or when new versions or upgrades are implemented. Despite repeated testing, our software solutions may contain material errors, defects and security issues, which we may not be able to fix in a timely manner or at all. We may incur significant expenses rectifying any material serious error or defect and compensating our customers who are affected by such error and defect. In addition, if we fail to provide the prescribed software solutions to our customers in time or at all due to such material errors, defects and security issues, we may not be able to honor our obligations in respect of our contract liabilities, which totaled RMB180.6 million, RMB267.4 million, RMB396.1 million and RMB354.4 million as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively.

Given that many of our customers use our software solutions in critical parts of their businesses, any error, defect or service interruption in our products could result in significant losses for our customers. Our customers may seek damages from us for any losses they incur as result of such errors or cease using our software solutions altogether. We cannot assure you that the disclaimers limiting our exposure to claims, which we typically include in the agreements with our customers, will be enforceable or give us adequate protections against liabilities. Moreover, our customers may share information about their poor experiences in the community, resulting in negative publicity about us. Such negative publicity could damage our reputation and hurt our future sales.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our *Ming Yuan Cloud* brand is critical to maintaining and expanding our business. Maintaining and enhancing our brand depends largely on our ability to continue to provide high-quality, well-designed, useful, reliable, and innovative software solutions, which we cannot assure you we will do successfully.

We believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful software solutions at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We market our software solutions through our direct sales force, regional channels partners, and a number of free traffic sources, including customers' word-of-mouth referrals. Our efforts to market our brand have incurred significant costs and expenses and we intend to continue such efforts. We cannot assure you, however, that our sales and marketing expenses will lead to increasing revenue, and even if they did, such increases in revenue might not be sufficient to offset the expenses incurred.

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We work with regional channel partners to market, promote and implement our products and services and generate a considerable portion of revenue from our regional channel partners. If we are unable to maintain stable relationships with our regional channel partners, our business, operating results, and financial condition could be adversely affected.

We rely on our regional channel partners to market, sell and implement our software solutions in certain regions of China. As of March 31, 2020, we have collaborated with 69 regional channel partners across China in places where our direct sales team does not cover. Revenues (including sales of our ERP solutions to such regional channel partners and sales of our SaaS products through such regional channel partners) contributed by our regional channel partners accounted for 32.1%, 41.0%, 43.6%, and 51.3% of our total revenues in 2017, 2018 and 2019 and for the three months ended March 31, 2020, respectively. Working with our regional channel partners enables us to scale up our presence in regional markets at lower customer acquisition costs. Therefore, we believe that maintaining stable relationships with our regional channel partners is critical to our revenue growth.

Our agreements with our existing regional channel partners are exclusive, meaning our regional channel partners are prohibited from marketing and selling products that compete with our software solutions. While we intend to continue dedicating resources to developing and maintaining stable relationships with our regional channel partners, we cannot assure you that our existing or prospective regional channel partners will comply with the exclusivity provision or other terms of the agreements. For example, while our regional channel partners are prohibited from using our trade name in any unauthorized manner, there can be no assurance that they will comply with such restrictions. Any unauthorized use of our trade name by our regional channel partners may result in legal disputes and liabilities and cause damages to our brand name and market reputation.

In addition, our agreements with our regional channel partners typically have a term of one year. Our regional channel partners may cease cooperating with us if such agreements were not renewed after their expiration. If we fail to identify alternative regional channel partners or fail to do so in a timely and cost-effective manner, or if we are unable to work well with new regional channel partners, our business, results of operations, and financial condition could be adversely affected.

In addition, we provide price guidance on our software solutions to our regional channel partners, which is intended to prevent malignant price competition and protect our brand image. Failure by our regional channel partners to comply with such price guidance may damage our reputation and may have an adverse impact on our business operation. Furthermore, although our PRC Legal Advisor is of the opinion that such price guidance measures do not constitute a breach of the provisions stipulated in the Anti-Monopoly Law of the PRC, there can be no assurance that regulators will not initiate anti-monopoly investigations against us, or that any future change or promulgation of laws and regulations

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will not render our pricing guidance non-compliant. Moreover, compliance with existing and future anti-monopoly laws and regulations could subject us to costs or liabilities, including monetary damages and fines, which may impact our business operation and our overall financial performance.

Moreover, our expansion of customer base and customer retention rates attributable to end customers acquired through our regional channel partners may differ significantly from those customers that we acquire through our direct sales force. If our regional channel partners do not effectively market and sell our solutions, or fail to meet the needs of our end customers, our reputation among prospective and existing customers and ability to grow our business may also be adversely affected. Further, unpredictable variations in the mix between our revenue attributable to sales by our regional channel partners and revenue attributable to our direct sales may result in fluctuations in our operating results.

We may fail to monitor the relationship and transactions between our regional channel partners and end customers in a timely and effectively manner.

Our regional channel partners are mainly responsible for developing and maintaining the business relationship with our end customers in places where our direct sales team does not cover. Our regional channel partners enter into agreements with the end customers for purchase of our software solutions. For details of the business relationships with our regional channel partners, see “Business – Sales, Marketing and Distribution – Our Regional Channel Partner Network.” While we have comprehensive measures in place to make sure our regional channel partners market, sell and implement our solutions in a consistent manner and effort as our direct sales force does, there can be no assurance such measures will always be effective or followed by our regional channel partners. If our regional channel partners do not effectively market and sell our products and services, or fail to meet the needs of our end customers, we may lose our existing and prospective end customers of new products. Additionally, any fraud or other misconducts by our regional channel partners or any material disputes between our regional channel partners and the end customers may damage our reputation among our existing and prospective customers, thereby adversely affecting our business.

Furthermore, while we have taken measures to track down the transactions between our regional channel partners and the end customers, such efforts may not be made in a timely and effectively manner. If we are unable to promptly collect transaction data between our regional channel partners and the end customers, we may fail to obtain data insights into our business performance in regional markets in China and make informed business decisions. As a result, our business, financial condition, results of operations, and prospects in regional markets may be materially and adversely affected. In addition, with respect to our ERP solutions, we recognize revenues upon delivery of software dongles to our regional channel partners who are responsible for selling and implementing our ERP solutions to our end customers. However, there can be no assurance that all of our ERP solutions sold to our regional channel partners will be on-sold to the end customers in compliance with the terms of our agreements with regional channel partners, in which case our revenues recognized for the sales of our ERP solutions may not be an effective indicator of customer acceptance of our products.

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Any non-compliance with applicable anti-bribery and anti-corruption laws and other forms of illegal acts and misconduct by our employees or our regional channel partners may materially and adversely affect our business operations.

Our business operations are subject to anti-bribery and anti-corruption laws and regulations in China, which prohibit companies and their intermediaries from making improper payments or other benefits to government or other parties for the purpose of obtaining or retaining business. While we have adopted and implemented internal controls and procedures to monitor both internal and external compliance with anti-bribery and anti-corruption laws, regulations and policies, we cannot guarantee that such internal controls and procedures will always be effective in preventing non-compliance and exculpating us from penalties or liabilities that may be imposed by relevant government authorities due to violations committed by our employees or our regional channel partners. If our employees or our regional channel partners are found or alleged to have violated anti-bribery or anti-corruption laws and regulations, we may face or be involved in fines, lawsuits and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations. For details of our internal controls and procedures over business integrity of our employees and regional channel partners, see “Business – Sales, Marketing and Distribution – Our Regional Channel Partner Network – Robust Management of Regional Channel Partners.”

We rely on third-party platforms and services to conduct our SaaS business and any interruptions or delays in such platforms and services due to third-parties or our own failure may impair our customers’ experience.

We rely on third-party cloud computing platform providers located in China with respect to our SaaS business. Currently all of our cloud-based products and services are premised on Alibaba Cloud. In addition, like many other software providers in our industry, we also procured other generic IT services from third-party vendors such as Microsoft for our internal data storage. Although we believe we do not have any material impediment for switching our cloud computing services providers, it may be costly and time-consuming to migrate from one cloud computing services provider to another. If we lose temporarily access to such third-party platforms and services during the transition period, our results of operations and financial conditions would be materially and adversely affected. Additionally, these platforms and services may not continue to be available to us on commercially reasonable terms, or at all. If we lose our right to use any of these platforms or services, it could lead to significant increase in our expenses or otherwise result in a delay or disruption in our services until equivalent technology is developed by us, or obtained from another third party, and integrated into our services. If performance of the third parties that we work with proves unsatisfactory, or if any of them violates its contractual obligations to us, we may need to replace such third-party and/or take other remedial action, which could result in additional costs and materially and adversely affect our offerings to customers. Moreover, the financial condition of our third-party providers may deteriorate over the course of our contract term, which may also impact the ability of such third-party to continue providing their services to us.

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In addition, any damage to or failure of our systems, including systems of our third-party platform providers, could result in interruptions in our services. In the past, we have experienced interruptions in our services, and such interruptions may reoccur in the future. In the event that service interruptions occur, our customers may bring claims against us and we may have to issue credits to them or compensate them by other means. Our customers or potential customers may also get an impression that our products and services are unreliable. As a result, our reputation may be compromised, making it harder for us to attract new customers.

We do not control the operation of any of platforms provided by third-party providers, which may be vulnerable to natural disasters, such as earthquakes, floods and fires, power loss, telecommunication failures or similar events. These facilities may also be subject to break-ins, vandalism and destruction as well as local administrative actions, changes to legal or regulatory requirements and litigious proceedings to halt, limit or delay operations. Despite precautionary measures taken by our third-party providers at these facilities, which include disaster recovery and business continuity arrangements, any natural disasters, destruction, decision to close down the platforms without adequate notice or other unanticipated events at these platforms could result in prolonged interruptions in our services.

The deterioration of the relationships between the U.S. and China and international sanctions and export controls may have an adverse effect on our business and operations.

The U.S. administration under President Donald J. Trump has recently taken various steps towards imposing restrictions on business dealings and trade with China, including but not limited to transfer of data and protection of intellectual property. Our business and prospect may be negatively affected by changes in governmental policies including sanctions and export controls administered by U.S. government authorities, including those imposed as a result of a material deterioration of the political or economic relations between China and the United States and other geopolitical challenges. Although we currently do not have any business operations in the United States or any U.S. customers, there is no assurance that the governmental authorities in the United States will not take any such actions to restrict any general U.S. based software providers such as Microsoft from dealing with Chinese companies like us, which could result in an adverse impact on our business and prospect if we were not able to find substitute services with the same quality and prices in China or from other countries. In addition, China may further retaliate, in response to new trade policies implemented by the U.S. government. Such retaliation measures may further escalate the tensions between the two countries, which may have negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. As a result of any major economic downturn, our business, financial condition and results of operations could be adversely affected.

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Our failure to provide high-quality customer services may materially and adversely impact our brand, business, financial condition, and results of operations.

We believe our focus on customer services and support is critical to attracting new customers, retaining existing customers and growing our business. We have invested in training our customer support team and improving the quality of our customer services. However, our customer services team may not be able to maintain a high standard for themselves going forward for reasons such as budgetary constraints and employee losses, which could adversely affect our reputation and ability to retain and bring in customers.

We may not be able to maintain the pricing terms for our products and services or enhance our customer retention rates going forward.

We may need to decrease prices of our products and services to stay competitive. As the markets for our products and services mature, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing model as we have adopted historically. Moreover, certain customers, such as large national property developers, may demand greater price concessions. As a result, in the future we may be required to reduce our prices, which could materially and adversely affect our revenues, profitability, financial position, and cash flow.

In addition, our customers have no obligation to renew their subscriptions for our products and services after expiration of the initial subscription period or maintenance services for our ERP solutions on our desired terms. Our customers may renew for fewer elements of our products and services or on pricing terms less favorable to us. Our historical customer retention rates may not be indicative of our customer retention rates in the future. Our customers' retention rates may decline or fluctuate as a result of a number of factors, including their dissatisfaction with our pricing or our products and services, and their ability to continue their operations and spending levels. In addition, over time the average term of our contracts could change based on retention rates or for other reasons. If our customers do not renew their subscriptions for our products and services on similar terms, our revenues may decline, and our business could suffer.

We are exposed to credit risk from our customers and the recoverability of our contract assets and trade receivables is subject to uncertainties.

We normally allow a credit period of 0 to 30 days to our customers who subscribed for our SaaS products and ERP solutions, and are therefore exposed to credit risk from our customers. Our trade receivables increased from RMB7.1 million as of December 31, 2017 to RMB20.8 million as of March 31, 2020, which was in line with our overall business growth during the Track Record Period. Our trade receivable turnover days remained relatively stable at five days, five days and six days in 2017, 2018 and 2019, respectively and slightly increased to nine days in the first quarter of 2020, primarily due to the temporary disruptions in certain of our customers' business operations caused by the COVID-19 outbreak. We expect our trade receivable turnover days to improve as our customers continue to resume normal operations.

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In addition, we record contract assets, which represent our rights to receive consideration for obligations partially performed and not yet billed under our licensing agreements with the customers for our ERP solutions as such rights are conditioned on our future performance of our remaining obligations under such licensing agreements. Contract assets are transferred to trade receivables when the rights to receive consideration become unconditional. Our contract assets increased from RMB10.1 million as of December 31, 2017 to RMB34.0 million as of March 31, 2020, generally in line with the increase of revenues derived from our ERP solutions during the Track Record Period. For further details, see “Financial Information – Discussion of Certain Key Balance Sheet Items.”

A customer’s ability to make payments on timely basis depend various factors such as general economic and market conditions and the customer’s cash flow position, which are out of our control. Delays in receiving payments from our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. Defaults in making payments to use on projects for which we have already incurred significant costs and expenditures can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available for other purposes. There is no assurance that our customers will pay us on a timely basis or at all, which may adversely affect the recoverability of our contract assets and trade receivables, or that we will be able to efficiently manage the level of bad debt arising from staged payments. We recorded net impairment losses on financial assets and contract assets of RMB0.5 million, RMB4.0 million, RMB2.1 million, RMB2.0 million and RMB2.8 million in 2017, 2018, 2019 and in the first quarter of 2019 and 2020, respectively. However, such provision for impairment of trade receivables and contract assets may not reflect the real recoverability of our contract assets and trade receivables. For further details, see Note 3.1(b) to the Accountant’s Report included in Appendix I to this prospectus.

In addition, we also recorded contract acquisition costs during the Track Record Period. Our contract acquisition costs represent the incremental costs of obtaining customer contracts capitalized as assets, which consist of sales commissions paid to our regional channel partners in connection with the sales of our SaaS products. Since we typically receive and pay in upfront before delivering our SaaS products, the corresponding contract liabilities and contract acquisition costs are recognized simultaneously at the inception. Revenues and the amortization of the contract acquisition costs are subsequently recognized ratably over the contract terms. Although there was no impairment to our contract acquisition costs during the Track Record Period, there is no assurance that all the costs incurred in connection with sales of our SaaS products under a particular contract will not exceed the proceeds received from the relevant customer, which may subject our contract acquisition costs to impairment losses in the future.

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We may not be able to conduct our sales and marketing activities cost-effectively and we are subject to limitations in promoting our business.

Due to the technical nature of software solutions, we mainly rely on our direct sales and regional channel partners to conduct marketing activities and drive sales of our software solutions. If we fail to conduct our sales and marketing activities in a cost-effective way, we may incur considerable marketing expenses, which could adversely affect our business and operating results. Additionally, our brand promotion and marketing activities may not be well received by customers and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the market for software solutions to the real estate value chain in China are evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to introduce new marketing approaches in a cost-effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability.

We may fail to obtain or maintain all required licenses, permits and approvals to operate our business.

Our failure to obtain and maintain requisite approvals, licenses or permits applicable to our business or any changes in government policies or regulations may have a material and adverse impact on our business, financial condition and operational results. Our business and operation has been subject to extensive regulations.

We are required to obtain and maintain applicable licenses, permits and approvals from different regulatory authorities in order to conduct our existing or future business in connection with our provision of value-added telecommunication services. The government authorities may continue to pass new rules regulating such business and we have been continually expanding into new business operations. They may require us to obtain additional licenses, permits or approvals so that we can continue to operate our existing or future businesses or otherwise prohibit our operation of the types of businesses to which the new requirements apply. In addition, new regulations or new interpretations of existing regulations may increase our costs of doing business and prevent us from efficiently delivering services and expose us to potential penalties and fines. Lastly, our existing licenses may expire without proper renewal or be revoked due to violations of relevant licensure maintenance requirements. If any of our entities is deemed by governmental authorities to be operating without appropriate permits and licenses or outside of their authorized scopes of business or otherwise fail to comply with relevant laws and regulations, we may be subject to penalties and our business, financial condition, and results of operation may be materially and adversely affected.

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We collect and have access to certain personal information belonging to the customers of our customers through our system. If our system security is compromised and such information is accessed without authorization, we may be exposed to liabilities and our business and reputation may be harmed.

We collect and have access to certain personal information belonging to the customers of our customers, such as name, address, contact information, facial details, credit card information, and usage patterns, and are subject to PRC laws and regulations regarding privacy and the protection of data. For further information, see “Regulations – Regulations relating to Information Security and Personal Information Protection.” In addition, the SAMR and the Standardization Administration jointly issued the new Standard of Information Security Technology – Personal Information Security Specification (GB/T 35273-2020) on March 6, 2020, which will replace and supersede the previous standard (GB/T 35273-2017) and take effect on October 1, 2020. Pursuant to the new standard, the personal data controller refers to entities or persons who are authorized to determine the purposes and methods for using and processing personal information. In collecting personal information including human biological identification information, personal data controllers should comply with the principles of legality, minimization and voluntariness. We expect that the collection, use, processing and storage of personal information and data will receive greater and continued attention and scrutiny from regulators and the public going forward, which could increase the compliance costs of our Group and our customers. Nevertheless, while the new standard is not yet in force, to the best of Directors’ knowledge we have already complied with the new standard in respect of the data encryption in the transmission and storage, and the requirement for separate storage of human biological identification information and identity information. Meanwhile, we will continuously make efforts to comply with the principles and requirements of the new standard. Our failure to comply with such laws and regulations in collecting, using or disclosing personally information collected by us or accessed through our system could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and severely disrupt our business.

In addition, we do not regularly monitor or review content uploaded and stored by our customers. Therefore, we do not control the substance of the content on our servers, which may include personal information. We cannot assure you that third parties will not succeed in their attempts to obtain unauthorized access to any personally information relating to the customers of our customers. Such information may also be exposed through human errors or other malfeasance. Any unauthorized access of such personally information or any compromise of our system security could have an adverse effect on our business, financial condition and results of operations.

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We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from any unauthorized use of our technologies.

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, confidentiality agreements, non-compete agreements, invention assignment agreements and licensing agreements with our employees and third parties to protect our intellectual properties. However, events beyond our control may pose threats to our intellectual property rights and the integrity of our products and brand. Effective protection of our trademarks, copyrights, domain names, patent rights, and other intellectual property rights is expensive and challenging. While we have taken measures to protect our intellectual property rights, including implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, and deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual property rights, we cannot assure you that such efforts are adequate to guard against any potential infringement and misappropriation. In addition, our intellectual property rights may be declared invalid or unenforceable by the courts.

Similarly, to protect our unpatented proprietary information and technology, such as trade secrets, we rely on our agreements with employees and third parties that contain restrictions on the use and disclosure of such information or technology. For example, our employees and third parties are required to keep confidential of any unpatented proprietary information and technology during the contract term and after the termination of the employment agreement. In addition, the agreements with our employees and third parties explicitly provide for all rights and obligations regarding the ownership and protection of intellectual property rights. These agreements may be inadequate or may be breached, either of which could potentially result in unauthorized use or disclosure of our trade secrets and other proprietary information to third parties, including our competitors. As a result, we may lose our competitive advantages derived from such intellectual property. Significant impairments on our intellectual property rights may result in a material and adverse effect on our business.

We may be subject to claims by third parties for intellectual property infringement.

Our competitors and other third parties may, whether rightly or falsely, bring legal claims against us for infringing on their patents, copyrights, trademarks or other intellectual property rights. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, are evolving, and litigation is becoming a more popular means to resolve commercial disputes. Given the foregoing and the increasing competition in the market, we are exposed to a higher litigation risk. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation.

Defending intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable judgment in all legal cases, in which case we may need to pay damages or be forced to cease

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using certain technologies or content that are critical to our products and services. Any resulting liabilities or expenses or any changes to our products or services that we have to make to limit future liabilities may have a material adverse effect on our business, results of operations, and prospects.

We use software licensed from third parties to provide our products and services. Failure to maintain these licenses or any error in such software could adversely affect our business.

We incorporate certain software licensed from third parties into our products and services to offer attractive user experience and drive customer acceptance of our products and services. For example, we use intelligent software and tools, such as cloud call center, smart robot and remote control software, in our online service platform and customer hotline so that we can provide tailored services to our end customers to meet their specific demands. We anticipate that we will continue to rely on such third-party software in the future. Although we believe that commercially reasonable alternatives to the third-party software we currently use are available, this may not always be the case and it may be difficult or costly to find such alternatives.

Integrating new third-party software into our existing software system may consume significant amount of our time and resources. Our products and services depend on successful operation of third-party software in conjunction with our software, so any undetected errors or defects in the third-party software could impair our products and services.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.

We may be subject to disputes or claims of various types brought by our competitors, employees, associates, customers or others against us relating to contractual disputes, labor disputes, intellectual property infringements, or disputes involving misconducts of our employees. Such claims and disputes may evolve into litigations and damage our reputation and goodwill, thereby adversely affecting our customer base. Litigation is distractive and expensive as it requires time and attention from our management team and employees. In addition, we may need to spend a significant amount to settle claims or pay damages if we lose a lawsuit, which could have a material and adverse effect on our business, financial condition, and results of operations.

Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our services and have a negative impact on our business.

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication and business solutions. The PRC government has in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could require us to

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modify our products in order to comply with these changes. In addition, government agencies may begin to impose taxes, fees or other charges for accessing the Internet or e-commerce. These laws and changes could limit the growth of Internet-related commerce or communications generally and reduce the demand for internet-based services such as ours.

In addition, use of the Internet as a business tool could be adversely affected. The performance of the Internet and its acceptance as a business tool has been adversely affected by “viruses,” “worms” and similar malicious programs and the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the Internet is adversely affected by these issues, demand for our services could suffer.

Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.

Our cybersecurity measures may not detect, prevent or control all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, Trojan horses, malicious software, break-ins, phishing attacks, third-party manipulation, security breaches, employee misconduct or negligence or other attacks, risks, data leakage and similar disruptions that may cause service interruptions or jeopardize the security of data stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, there can be no assurance that we will be able to anticipate, or implement adequate measures to protect against, these attacks. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation and business would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction.

Negative publicity and allegations involving us, our shareholders, directors, officers, employees, associates and business partners may affect our reputation and, as a result, our business, financial condition, and results of operations may be negatively affected.

We, our shareholders, directors, officers, employees, associates and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could change market perception that we are a trustworthy service provider. In addition, to the extent our employees and business partners were incompliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

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We are dependent on the continued services of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our future performance depends on the continued services and contributions of our senior management, including our co-founders, namely Mr. Gao, Mr. Chen and Mr. Jiang, to oversee and execute our business plans and identify and pursue new opportunities and product innovations. Any loss of service of our senior management or other key employees can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also requires significant amount of time, training and resources, and may impact our existing corporate culture.

If we are unable to attract, retain and motivate qualified personnel, our business may be adversely affected.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel specializing in research and development, product development, and sales and marketing, particularly with experience in the real estate market in China. In order to enhance the stability of our team, we have devoted to building a nurturing corporate culture and offered various incentives and trainings to our highly skilled personnel. Nevertheless, we cannot assure you that we can attract or retain qualified personnel. The inability to do so or delays in hiring required personnel may cause significant harm to our business, financial condition and operating results. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth, thereby materially and adversely affecting our business, financial condition, results of operations and prospects.

Meanwhile, the size and scope of our business may require us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. Competition for talent and qualified personnel in the our industry is intense, and the availability of suitable and qualified candidates in the PRC is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. In addition, even if we were to offer higher compensation and other benefits, we cannot assure you that these individuals would choose to join, or continue working for, us. If we fail to attract and retain personnel with suitable managerial or other expertise, or to maintain an adequate labor force on a continuous and sustained basis, our financial position and results of operations could be materially and adversely affected.

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We have granted RSUs in the past under our share incentive plan and may continue to grant share-based awards in the future, which may result in increased share-based compensation expenses and have an adverse effect on our future profitability.

We adopted a share incentive plan on March 29, 2020, or the Share Incentive Plan, for the purpose of granting share-based compensation awards to our officers, directors, employees and other eligible persons to incentivize their performance and align their interests with ours. The maximum aggregate number of ordinary shares we are authorized to issue pursuant to the Share Incentive Plan is 7,484,080 ordinary shares. On March 30, 2020, 7,484,080 ordinary shares (74,840,800 Shares following the Share Subdivision) were issued to MYC Marvellous Limited as reserve for grant or vesting of awards under the Share Incentive Plan. As of the Latest Practicable Date, an aggregate of 21,100,000 outstanding RSUs in respect of 21,100,000 Shares have been granted to 40 of our employees pursuant to the Share Incentive Plan. See the section headed “Appendix IV. Statutory and General Information – D. Share Incentive Plan” for more details about our Share Incentive Plan.

We believe the granting of share-based compensation awards is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based compensation awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have a material and adverse effect on our financial condition and results of operations. Our ability to attract or retain highly skilled employees may be adversely affected by declines in the perceived value of our equity or equity awards. Furthermore, there are no assurances that the number of shares reserved for issuance under our share incentive plans will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees. In case we decide to reserve and issue additional shares under our share incentive plans, your interests in our Company will be further diluted by such issuance.

Our operating results are subject to seasonal fluctuations, and we recorded net operating cash outflows in the first quarter of 2019 and 2020.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenues and results of operations. We have historically generated lower revenue in our first quarter of a given year, primarily due to (i) the relatively prolonged annual budgeting and procurement cycles of our customers, especially leading property developers headquartered in tier-1 cities in China, (ii) fewer openings of new sales offices and commencement of construction projects, and (iii) slower and reduced levels of sales and marketing activities of both our direct sales force and regional channel partners, as a result of annual leave of employees and annual corporate events during the Chinese New Year holiday season. Our revenues typically ramp up in the second half of a year as normal business operations accelerate after the Chinese New Year holiday season. In addition, we have historically used more cash in our operating activities in first quarters due to employee bonus and benefits that are typically paid at the beginning of the year. For example, we recorded net cash used in operating activities of RMB78.9 million and RMB104.3 million for the three months ended

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March 31, 2019 and 2020, respectively. As a result, our revenues and cash flows may vary within a fiscal year, and you may not be able to predict our annual results of operations based on a comparison of our interim results of operations.

Any discontinuation, reduction or delay of any government grants, tax refund, or preferential tax treatments would have a material and adverse impact on our business.

During the Track Record Period, we received government grants of RMB11.6 million, RMB9.3 million, RMB16.3 million and RMB7.6 million in 2017, 2018 and 2019 and for the three months ended March 31, 2020, respectively. We also received certain VAT refunds from the PRC government during the Track Record Period, which are non-recurring in nature. Such VAT refunds approximated RMB31.5 million, RMB39.5 million, RMB30.4 million, RMB3.0 million in 2017, 2018 and 2019 and for the three months ended March 31, 2020. In addition, we have benefited from preferential tax treatments from the PRC government during the Track Record Period. For example, Ming Yuan Cloud Technology qualified as a key software enterprise and, accordingly, was entitled to a preferential income tax rate of 10%, and Ming Yuan Cloud Client qualified as a high and new technology enterprise and accordingly was entitled to a preferential income tax rate of 15%. In 2017, 2018 and 2019 and for the three months ended March 31, 2020, the tax effects of preferential tax rates amounted to RMB13.4 million, RMB21.0 million, RMB22.6 million and RMB0.5 million, respectively. Furthermore, our subsidiaries operating in the PRC were eligible for certain tax credits on their research and development expenses during the Track Record Period. See Note 12 to the Accountant's Report included in Appendix I to this prospectus for more details. We cannot assure you that we will continue to receive government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, financial condition and result of operations may be materially and adversely affected.

Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations.

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. For further information, see “Business – Risk Management and Internal Control.” Our risk management and internal controls depend on their effective implementation by our employees. Due to the significant size of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations. As we are likely to offer a broader and more diverse range of services and solutions in the future, the diversification of our service offerings will require us to continue to enhance our risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

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Our proposed strategic acquisitions and investments may fail and may result in material and adverse impact on our financial condition and results of operations.

As part of our business growth strategy, we may, in the future, acquire businesses or platforms that we believe can expand and strengthen our product and customer coverage, as well as our technological capacities. Our ability to implement our acquisition strategy will depend on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms, and within a desired timeframe, and the availability of financing to complete acquisitions, as well as our ability to obtain any required shareholder or government approvals. Our strategic acquisitions and investments could subject us to uncertainties and risks, including high acquisition and financing costs, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve our intended objectives, benefits or revenue-enhancing opportunities, uncertainty of entering into markets in which we have limited or no experience, and in which competitors have stronger market positions, costs associated with, and difficulties in, integrating acquired businesses and managing a larger business, and diversion of our resources and management attention. Our failure to address these uncertainties and risks may have a material adverse effect on our business, financial condition, and results of operations. Even if we are able to successfully acquire or invest in suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions or investments through successful integration. As of the Latest Practicable Date, we had not identified or pursued any acquisition or investment targets. If we fail to achieve our expected returns on such acquisitions or investments in the future, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Acquisitions also pose the risk that we may be exposed to successor liability relating to the actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the acquired companies or investment target companies or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities. A material liability associated with an acquisition or investment could adversely affect our reputation and reduce the benefits of the acquisition or investment. In addition, if the management team or key employees of an acquired company fail to perform as expected, this may affect the business performance of such acquired company and, in turn, have a material adverse effect on our business, financial conditions, and results of operations.

Our financial assets at fair value through profit or loss and at fair value through other comprehensive income and our financial liabilities at fair value through profit or loss are subject to uncertainties in accounting estimates. Fluctuations in the changes in fair value of such financial assets and liabilities would affect our financial results.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and

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other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. See Note 4 to the Accountant's Report in Appendix I to this prospectus. As such, we believe that our financial assets at fair value through profit or loss and at fair value through other comprehensive income and our financial liabilities at fair value through profit or loss are subject to the accounting estimates and judgements and therefore warrant particular attention.

For investments with no quoted market prices in an active market, their fair values are estimated by using valuation techniques. These techniques include net asset value of underlying investments and discounted cash flows. Valuation techniques are certified by independent and recognized business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the specific data. However, some inputs, such as the probability of redemption of preference shares, require management estimates and assumptions, which are adjusted if necessary. Should any of the estimates and assumptions be changed, it might lead to a change in the fair value of the financial assets and liabilities.

For financial reporting purposes, the fair value measurements of our financial assets and liabilities are categorized as level 3 as inputs for such financial assets or liabilities are not based on observable market data. For level 3 financial assets and liabilities, we primarily adopt valuation techniques such as use of quoted market prices or dealer quotes for similar financial instruments, and the discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate.

The fair value of our financial assets at fair value through profit or loss and at fair value through other comprehensive income and our financial liabilities at fair value through profit or loss are subject to changes beyond our control. In the years ended December 31, 2017, 2018, and 2019 and the three months ended March 31, 2019 and March 31, 2020, we recorded positive changes in fair value of financial assets at fair value through profit or loss in the amount of RMB1.5 million, RMB6.1 million, RMB4.3 million, RMB1.5 million and RMB6.2 million, respectively. In the years ended December 31, 2017, 2018, and 2019 and the three months ended March 31, 2019, we recorded positive changes in fair value of financial assets at fair value through other comprehensive income in the amount of RMB8.3 million, RMB4.7 million, RMB5.6 million and RMB0.5 million, respectively, and we recorded negative change in fair value of financial assets at fair value through other comprehensive income in the amount of RMB6.7 million for the three months ended March 31, 2020. In addition, we recorded fair value losses on financial liabilities at fair value through profit or loss in the amount of RMB9.0 million for the three months ended March 31, 2020. If the fair value of our financial assets at fair value through profit or loss and at fair value through other comprehensive income and our financial liabilities at fair value through profit or loss were to fluctuate, our business, financial condition and results of operations could be materially adversely affected.

For details, please see Note 3.3.3 to the Accountant's Report in Appendix I to this prospectus.

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Fair value changes in our financial instruments issued to Pre-IPO investors and related valuation uncertainty may materially affect our financial condition and results of operations.

On October 25, 2019, our Company has entered into subscription agreement with two Pre-IPO Investors, namely Profitech Investments and Glodon. For further details of the identity and background of the Pre-IPO Investors, and the principal terms of the Pre-IPO Investments, see “History, Reorganization and Corporate Structure – Pre-IPO Investments”, as well as Note 31 to the Accountant’s Report set out in Appendix I to this prospectus for details.

The Convertible Redeemable Preferred Shares were recorded on a fair value basis. The discounted cash flow method was used to determine the total equity value of the Company while the binomial model was adopted to determine the fair value of the Convertible Redeemable Preferred Shares, and the key valuation assumptions used discount rate, risk-free interest rate and volatility. Any change in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these financial instruments issued to investors. Our Convertible Redeemable Preferred Shares will be automatically converted to Shares upon the Listing. To the extent we need to revalue the convertible preferred shares prior to the closing of the Listing, any change in fair value of Convertible Redeemable Preferred Shares and related valuation uncertainty could materially affect our financial position and performance. After the automatic conversion of the Convertible Redeemable Preferred Shares into Shares upon the closing of the Listing, we do not expect to recognize any further gains or losses on fair value changes from these convertible preferred shares in the future.

If the Listing is not consummated on or prior to December 31, 2022, the Convertible Redeemable Preferred Shares to be redeemed hereby shall be in the amount of 100% of the applicable subscription price, amounting to USD45,000,000 (equivalent to approximately RMB313,929,000), plus total accumulated interest calculated at a compound rate of 10% per annum on 100% of the applicable subscription price, amounting to USD15,952,000 (equivalent to approximately RMB112,154,000). As of July 31, 2020, the Group’s cash and cash equivalents was RMB119,159,000 (unaudited) and investments in wealth management products which have short time-to-maturity was RMB742,782,000 (unaudited). The redemption of the Convertible Redeemable Preferred Shares, if triggered, could affect the Group’s cash and liquidity position and financial condition.

We may not have sufficient insurance coverage to cover our potential liability or losses, and our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. Insurance companies in China do not currently offer as extensive an array of insurance products as insurance companies in other more developed economies do. As of the Latest Practicable Date, we had not obtained any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such

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insurances on commercially reasonable terms render these insurances impractical for our business. However, any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

We may be liable for failure to register and file our lease agreements, which may subject us to penalties.

As of the Latest Practicable Date, seven leasing agreements of our leased properties had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisor has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the noncompliance within the time frame prescribed by the relevant authorities.

We may not be able to renew our current leases or locate desirable alternatives for our offices.

We rent commercial properties as our offices, and we may not be able to extend or renew such leases on commercially reasonable terms, if at all. For instance, we compete with other businesses for premises at certain locations. Rental payments may significantly increase as a result of the high demand for the leased properties. Moreover, we may not be able to extend or renew such leases upon expiration of the current term and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses. We may not be able to locate desirable alternative sites for our offices. For the leased sites registered as the address of our PRC subsidiaries, we may face the risk of being included in the list of enterprises with abnormal business operations if we fail to extend such leases or relocate the registered address and file such leases with the local authorities. The occurrence of such events could materially and adversely affect our business, financial condition, results of operations, and prospects.

Changes in international trade or investment policies and barriers to trade or investment, the ongoing trade dispute between the U.S. and China may have an adverse effect on our business.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion, our financial condition and results of operations. The U.S. administration under President Donald J. Trump has advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the U.S., particularly from China, and has taken steps toward restricting trade in certain goods.

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For example, in 2018, the United States announced three finalized tariffs that applied exclusively to products imported from China, totaling approximately US\$250 billion, and in May 2019, the U.S. increased the rate of certain tariffs previously levied on Chinese products from 10% to 25%. In addition, in August 2019, President Donald J. Trump threatened to impose additional tariffs on remaining Chinese products, totaling approximately US\$300 billion. Although on January 15, 2020, the U.S. and China signed an agreement on the phase one trade deal, under which both parties made certain concessions and agreed not to proceed with additional tariffs against one another, the 25% tariffs on US\$250 billion of Chinese imports are still in place. Moreover, there have been accusations from the United States and certain other countries regarding the PRC's handling of the COVID-19 outbreak, as well as concerns regarding the PRC's proposal to impose national security laws in Hong Kong. These accusations and concerns, along with threats to impose new tariffs or sanctions on China or withdraw any of the trade and other privileges currently enjoyed by Hong Kong, have resulted in increased tensions in China's international relations. If the tensions between China and the U.S. worsen or if the U.S. or other countries start imposing restrictions on businesses in China or Hong Kong to the extent it affects the economic activities in the PRC real estate industry or the capital markets in Hong Kong, our business would be adversely affected.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC, including the COVID-19 outbreak, may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza, Ebola virus and the recent COVID-19 outbreak and other regions across China, may materially and adversely affect our business, financial condition and results of operations. An outbreak of an epidemic or contagious disease or other adverse public health developments in China or elsewhere in the world could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business.

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

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We may be unable to obtain any additional capital required in a timely manner or on acceptable terms, or at all. Moreover, our future capital needs may require us to sell additional equity or debt securities that may dilute our shareholders' shareholdings or subject us to covenants that may restrict our operations or our ability to pay dividends.

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the industries in which we operate;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities by our competitors in China; and
- economic, political and other conditions in China and internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity or debt securities, or to obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our shareholders' shareholdings. Any incurrence of indebtedness will also lead to increased debt service obligations, and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our shareholders.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entity.

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the Internet and other related businesses, such as the provision of Internet information services for profit.

We are a company incorporated under the laws of the Cayman Islands, and Ming Yuan Cloud Technology, our PRC subsidiary, is considered foreign-invested enterprises. To comply with PRC laws and regulations, we conduct a portion of our business in China through our Consolidated Affiliated Entity based on the Contractual Arrangements which enable us to (i) have the power to direct the activities that most significantly affect the economic performance

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of our Consolidated Affiliated Entity, (ii) receive 80% of the economic benefits from the Consolidated Affiliated Entity in consideration for the services provided by Ming Yuan Cloud Technology; and (iii) have an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entity held by the Relevant Shareholders when and to the extent permitted by PRC law, or request any Relevant Shareholders to transfer any or part of the equity interest in the Consolidated Affiliated Entity to another person or entity designated by us at any time at our discretion. Because of these contractual arrangements, we are the primary beneficiary of the Consolidated Affiliated Entity and hence treat it as our Consolidated Affiliated Entity, and consolidate its results of operations into ours. Our Consolidated Affiliated Entity holds certain licenses, approvals and assets that are essential to our business operations.

If the PRC government finds that our contractual arrangements do not comply with its restrictions on foreign ownership of businesses, or if the PRC government otherwise finds that we, Ming Yuan Cloud Technology or any of its subsidiaries are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM and MIIT, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our PRC subsidiaries and Consolidated Affiliated Entity may not be able to comply;
- requiring us or our PRC subsidiaries and Consolidated Affiliated Entity to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the proceeds from the initial public offering or other of our financing activities to finance the business and operations of our Consolidated Affiliated Entity; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our Consolidated Affiliated Entity in our combined financial statements, if the PRC governmental authorities find our corporate structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated

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Affiliated Entity that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entity, we may not be able to consolidate the Consolidated Affiliated Entity into our combined financial statements in accordance with IFRS.

Our contractual arrangements may not be as effective in providing operational control as direct ownership. Our Consolidated Affiliated Entity or their shareholders may fail to perform their obligations under our contractual arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of Internet and other related businesses in China, we operate a portion of our business in China through our Consolidated Affiliated Entity, in which we have no ownership interest. We rely on a series of contractual arrangements with our Consolidated Affiliated Entity and their shareholders to control and operate their business. These contractual arrangements are intended to provide or extend us with effective control over our Consolidated Affiliated Entity and allow us to obtain economic benefits from them. See the section headed “Contractual Arrangements” in this document for more details about these contractual arrangements.

Although we have been advised by our PRC Legal Advisor, that our contractual arrangements with the Consolidated Affiliated Entity constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these contractual arrangements may not be as effective in providing control over the Consolidated Affiliated Entity as direct ownership. If our Consolidated Affiliated Entity or their shareholders fail to perform their respective obligations under the contractual arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these contractual arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these contractual arrangements will be resolved through arbitration in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration. These uncertainties could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our affiliated entities and may lose control over the assets owned by our Consolidated Affiliated Entity. As a result, we may be unable to consolidate our Consolidated Affiliated Entity in our combined financial statements, our ability to conduct our business may be negatively affected.

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The shareholders of our Consolidated Affiliated Entity may have conflicts of interest with us, which may materially and adversely affect our business.

We have designated individuals who are PRC nationals to be the shareholders of our Consolidated Affiliated Entity holding 80% equity interests. These individuals may have conflicts of interest with us. Our Consolidated Affiliated Entity is 36.0% owned by Mr. Gao, 27.2% owned by Mr. Chen and 16.8% owned by Mr. Jiang. Conflicts of interest may arise between Mr. Gao, Mr. Chen and Mr. Jiang as indirect shareholders and directors of our Company and as shareholders and directors of our Consolidated Affiliated Entity. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our company as a whole and not to place themselves in a position in which there is a conflict between their duties to our company and their personal interests. PRC laws also provide that a director or a management officer owes a loyalty and fiduciary duty to the company he or she directs or manages. We cannot assure you that when conflicts arise, shareholders of our Consolidated Affiliated Entity will act in the best interest of our company or that conflicts will be resolved in our favor. These individuals may breach or cause the Consolidated Affiliated Entity to breach the existing contractual arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

If we exercise the option to acquire equity ownership and assets of our Consolidated Affiliated Entity, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the contractual arrangements, Ming Yuan Cloud Technology or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in the Consolidated Affiliated Entity held by the Relevant Shareholders at a nominal price, unless relevant government authorities or PRC laws require that another amount should be used as the purchase price, in which case the purchase price shall be the lowest amount under such requirement.

The equity transfer may be subject to the approvals from and filings with the MIIT, the SAIC and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The Relevant Shareholders of our Consolidated Affiliated Entity will pay the equity transfer price they receive to Ming Yuan Cloud Technology or its designated person(s) under the contractual arrangements. The amount to be received by Ming Yuan Cloud Technology may also be subject to enterprise income tax. Such tax amounts could be substantial.

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We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entity that are material to our business operations if our Consolidated Affiliated Entity declare bankruptcy or become subject to a dissolution or liquidation proceeding.

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entity. If the Consolidated Affiliated Entity undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of our Consolidated Affiliated Entity. If our Consolidated Affiliated Entity liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by the Consolidated Affiliated Entity to WFOE under the applicable service agreement.

If the shareholders of our Consolidated Affiliated Entity were to attempt to voluntarily liquidate our Consolidated Affiliated Entity without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request the shareholders of our Consolidated Affiliated Entity to transfer all of their respective equity ownership interests to a PRC entity or individual designated by us in accordance with the option agreement with the shareholders of our Consolidated Affiliated Entity. In addition, under the VIE agreements signed by the Consolidated Affiliated Entity and Ming Yuan Cloud Technology, the Consolidated Affiliated Entity does not have the right to issue dividends or distribute any other benefits to its shareholders without our consent. In the event that the shareholders of our Consolidated Affiliated Entity initiate a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of our Consolidated Affiliated Entity without our prior consent, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On 15 March 2019, the NPC adopted the PRC Foreign Investment Law at the closing meeting of the second session of the 13th NPC, which has taken effect on 1 January 2020, the Foreign Investment Law has replaced the Law on Chinese-Foreign Equity Joint Ventures, the Law on Chinese-Foreign Contractual Joint Ventures and the Law on Wholly Foreign-Owned Enterprises. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020, and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprises Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprises Law (《中外合資經營企業合營期限暫行規定》), the Detailed Rules for Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》) and the Detailed Rules for the Implementation of Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法實施細則》).

The Foreign Investment Law, together with the Regulations on Implementing the Foreign Investment Law of the PRC stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

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The Foreign Investment Law and the Regulations on Implementing the Foreign Investment Law, and the then laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council.” There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the Consolidated Affiliated Entity will not be materially and adversely affected in the future due to changes in PRC laws and regulations. If future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to the timely completion of such actions. In the extreme case scenario, we may be required to unwind the Contractual Arrangements and/or dispose of the Consolidated Affiliated Entity. Given the small contribution from the Consolidated Affiliated Entity to our Group during the Track Record Period, our Company considers that our Group would still have a sustainable business in the event of the abovementioned unwinding or disposal; however, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. For details of the Foreign Investment Law, see “Contractual Arrangements – Development in the PRC Legislation on Foreign Investment”.

Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our combined profit and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and our Consolidated Affiliated Entity do not represent an arms-length transaction and adjust our Consolidated Affiliated Entity’s income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entity, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on our PRC variable interest entities for unpaid or under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

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RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Adverse changes in the economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.

Substantially all of our revenue was derived from our businesses in the PRC during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls, and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for the past four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the Internet service industry in China or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also be materially and adversely affected.

The legal system of the PRC is not fully developed, and inherent uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to our business and our shareholders.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new, and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involves uncertainties.

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From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Moreover, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China, could materially and adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

PRC laws and regulations concerning the Internet information service industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations, and to avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC government authorities may promulgate new laws and regulations regulating the Internet information service industry in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to Internet information service. Moreover, developments in the Internet information service industry may lead to changes in PRC laws, regulations and policies, or in the interpretation and application of existing laws, regulations and policies that may limit or restrict Internet information service platforms like our *Procurement Cloud* (雲採購), which could materially and adversely affect our business and operations.

If we fail to comply with the Cyber Security Law of the PRC, we may be subject to potential liability, which could have a material and adverse impact on our business, prospects, results of operations and financial condition.

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Cyber Security Law of the PRC (中華人民共和國網絡安全法) (the “**Cyber Security Law**”), which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators including us shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC. Where the purchase of network products and services that may affect national security, it shall be subject to national cybersecurity review.

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Although we have employed resources to develop and maintain our cybersecurity measures, we cannot assure you that we always comply with the Cyber Security Law. For example, our cybersecurity measures may not detect or prevent all attempts to compromise our systems that may jeopardize the security of information stored in and transmitted by our systems. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, which could have a material and adverse impact on our business, prospects, results of operations and financial condition.

The successful operations of our business and our growth depend upon the Internet infrastructure and telecommunication network in the PRC.

Our business depends on the performance and reliability of the Internet infrastructure in China. Almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology of China. In addition, the national networks in China are connected to the Internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the Internet outside of China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China's Internet infrastructure. In addition, the Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our profit margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, our user traffic may decrease, which in turn may significantly decrease our revenues.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other established regulations and rules concerning mergers and acquisitions, as well as additional procedures and requirements, could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements, in some instances, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the SAMR shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns, and mergers and acquisitions through which foreign investors may acquire de facto control over

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domestic enterprises that raise “national security” concerns, are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders, and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise, and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those that are not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC, (ii) decisions relating to the enterprise’s financial and human resource matters are made, or are subject to approval by organizations or personnel in the PRC, (iii) the enterprise’s primary assets, accounting books, and records, company seals, and board and shareholder resolutions are located or maintained in the PRC, and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

However, the tax-resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management body”. As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply in our case. If the PRC tax authorities determine that our Company, or any of our subsidiaries outside of China, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting

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obligations. Moreover, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains or dividends are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC government's controls on currency conversion.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Moreover, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenue in Renminbi. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments, indirectly from our PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without

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prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from, or registration with, appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows from China in 2016 due to the weakening of Renminbi, the PRC government has imposed more restrictive foreign exchange policies, and stepped up scrutiny of major outbound capital movement. More restrictions and a substantial vetting process are in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may, at its discretion, further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

PRC regulation of loans to, and direct investments in, PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity, and our ability to fund and expand our business.

As advised by our PRC Legal Advisor, any funds we transfer to our PRC subsidiaries, either as a shareholder loan, or as an increase in registered capital, are subject to approval by, filing with, or registration with, relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to registration with SAIC in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches or designated banks, and (ii) each of our PRC subsidiaries may not procure loans, which exceed the difference between its registered capital and its total investment amount or do not meet certain criteria relating to its net asset. Any medium-or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches or designated banks. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the proceeds of this offering, and to capitalize our PRC operations, may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises, which allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the RMB fund converted from their foreign exchange capitals for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the

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Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capitals for expenditure beyond their business scope, investment in securities or investments other than banks' principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use, except for real estate enterprises. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to, and use in, China the net proceeds from this offering, which may adversely affect our business, financial condition and results of operations.

There is uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies.

On February 3, 2015, the SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Circular 7**”), which provides comprehensive guidelines relating to, and has also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the “**Chinese Taxable Assets**”). For example, Circular 7 states that where a non-resident enterprise transfers Chinese Taxable Assets indirectly, by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed to be, for the purpose of avoiding EIT payment obligations, and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets. Circular 7 also introduced safe harbors for internal group restructurings and the purchase and sale of equity interests through a public securities market. On October 17, 2017, the SAT promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) (“**SAT Circular 37**”) (“**SAT Circular 37**”), which came into force on December 1, 2017. SAT Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-resident enterprises.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares, such as purchasing our Shares in the open market, and selling them in a private transaction, or *vice versa*, or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities classify such transactions by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities. In addition, if we fail to comply with Circular 7 and SAT Circular 37, the Chinese tax authorities may take action, including requesting us to provide assistance in their investigation, or may impose a penalty on us, which could have a negative impact on our business operations.

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We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries, and on our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies, are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as a change of PRC shareholders, the name of a company, terms of operation, an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or to update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits, and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment

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activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, all of our ultimately beneficial owners who are PRC citizens, have completed their registration under the SAFE Circular 37. However, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update, any applicable registrations, or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we, or the owners of such company, as the case may be, will be able to obtain the necessary approvals, or complete the necessary filings and registrations, required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy, and could adversely affect our business and prospects.

Any requirement to obtain approval from the MOFCOM or the CSRC could delay the Global Offering, and any failure to obtain such approval, if required, could materially and adversely affect our business, operating results, and reputation, as well as the trading price of our Shares.

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, SAIC, and the SAFE on 8 August 2006, effective on 8 September 2006 and amended on 22 June 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise, (ii) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise, (iii) establishes a foreign-invested enterprise to purchase the assets of a domestic enterprise and operate those assets, or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. Where a domestic company or enterprise, or a domestic natural person, through an offshore entity established or controlled by it or him, acquires a domestic company which is related to or connected with it or him, approval from MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or

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individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of, or equity in, the PRC companies in exchange for the shares of offshore companies.

Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》(2008)) promulgated by Foreign Investment Department of the MOFCOM, notwithstanding the fact that (i) the domestic shareholder of the domestic company is connected with the foreign investor or not, (ii) whether the foreign investor is an existing shareholder or a new investor, the M&A Rules shall not apply to the merger and acquisition of equity interests in a foreign-invested enterprise.

Our PRC Legal Advisor is of the opinion that the M&A Rules are not applicable because Ming Yuan Cloud Technology became a sino-foreign joint venture on July 19, 2019 before Shenzhen Northern Lights Cloud Technology Co., Ltd. (深圳市北極光雲科技有限公司) purchased 95% of its shares on October 9, 2019 and has since completed relevant registration and filing in accordance with applicable provisions and regulations governing changes in equity of foreign-invested enterprises. Accordingly, our PRC Legal Advisor is of the opinion that prior MOFCOM and CSRC approval under the M&A Rules for this Listing is not required. However, we cannot assure you that the relevant PRC government agency, including the MOFCOM and CSRC, would reach the same conclusion as our PRC Legal Advisor. If the MOFCOM, the CSRC or other PRC regulatory agencies subsequently determine that we need to obtain necessary approval for this offering, or if MOFCOM, CSRC or any other PRC government authorities promulgates interpretation or implementing rules before our listing that would require any necessary governmental approvals for this offering, we may face sanctions by the MOFCOM, the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of proceeds from this offering into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, and prospects, as well as the trading price of our Shares. The MOFCOM, the CSRC or other PRC regulatory agencies may also take actions requiring us to halt this offering before settlement and delivery of the Shares offered by this prospectus.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

The SAT has issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for

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their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

Certain judgment obtained against us by our shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands, and substantially all of our current operations are conducted in China. In addition, a majority of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and the liquidity and market price of our Shares may be volatile.

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering. Moreover, each of our Controlling Shareholders, certain other existing Shareholders, and the Cornerstone Investors (as defined below) is expected to enter into to a six-month lock-up agreement, which will restrict these Shareholders from selling their Shares and therefore, reduce the available public float for our Shares during the lock-up period, subject to customary exceptions. As a result, the absence of any sale of Shares by such persons during the lock-up period may cause, or at least contribute to, limited liquidity in the market for our Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

RISK FACTORS

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility of the price of, and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their offerings. The trading performances of the securities of these companies at the time of, or after, their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong, and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

You will experience immediate dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the combined net tangible assets per share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted combined net tangible assets. Our existing Shareholders will receive an increase in the pro forma adjusted combined net tangible asset value per share of their shares. In addition, holders of our Shares may experience further dilution of their interest if we issue additional shares in the future to raise additional capital.

We have adopted the Share Incentive Plan on March 29, 2020, for further information, see “Appendix IV. Statutory and General Information – D. Share Incentive Plan.” Any newly granted RSUs under the Share Incentive Plan, options, or any other share-based compensations that we may grant from time to time may result in an increase in our issued share capital, which in turn may result in a dilution of our shareholders’ shareholding interest in our Company and a reduction in earnings per Share.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers, Controlling Shareholders and Pre-IPO Investors, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers, Controlling Shareholders and Pre-IPO Investors, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

RISK FACTORS

The Shares held by our Controlling Shareholders are subject to certain lock-up periods. While we are currently not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We may not be able to pay any dividends on our Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the Global Offering. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors reside. In particular, the Cayman Islands has a less developed body of securities laws. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

RISK FACTORS

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the sections headed “Business” and “Industry Overview,” contains information and statistics relating to the market of software solutions for real estate value chain and property developers in China. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

There may be, subsequent to the date of this document but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information. You should rely solely upon the information contained in this document, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information,

RISK FACTORS

reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the Global Offering.

You should rely solely upon the information contained in this document, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the Global Offering.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- a member of The Hong Kong Institute of Chartered Secretaries;
- a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and The Codes on Takeovers and Mergers and Share Buy-backs;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Jiang Keyang (蔣科陽) (“**Mr. Jiang Keyang**”), our executive Director and Chief Financial Officer, as one of the joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Szeto Kar Yee Cynthia (司徒嘉怡) (“**Ms. Szeto Kar Yee Cynthia**”), Associate of The Hong Kong Institute of Chartered Secretaries and Associate of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Jiang Keyang for an initial

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

period of three years from the Listing Date to enable Mr. Jiang Keyang to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Szeto Kar Yee Cynthia will work closely with Mr. Jiang Keyang to jointly discharge the duties and responsibilities as company secretaries and assist Mr. Jiang Keyang in acquiring the relevant experience as required under Rule 3.28 and 8.17 of the Listing Rules. Mr. Jiang Keyang will also be assisted by (a) the Compliance Advisor (as defined below) for the first full financial year from the Listing Date, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (b) the Hong Kong legal advisor of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Mr. Jiang Keyang will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of an issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that we engage Ms. Szeto Kar Yee Cynthia, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Mr. Jiang Keyang in discharging his duties as a joint company secretary and in gaining the “relevant experience” as required under Note 2 to Rule 3.28 of the Listing Rules.

Before the expiration of the initial three-year period, the qualifications of Mr. Jiang Keyang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. In the event Mr. Jiang Keyang fulfills all the requirements stipulated at the end of the initial three-year period, the above joint company secretaries would no longer be necessary for our Company.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant’s executive directors must be ordinarily resident in Hong Kong.

Since most of the business operations of our Group are managed and conducted outside of Hong Kong, and all of the executive Directors of our Company ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. Our Company does not have and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted,

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed Mr. Gao, Chairman of the Board and our executive Director, and Mr. Jiang Keyang, our executive Director, Chief Financial Officer and joint company secretary, as authorized representatives of our Company, to be the principal channel of communication with the Stock Exchange. Each of them has confirmed that he can be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters on short notice. As and when the Stock Exchange wishes to contact the Directors on any matters, each of the authorized representatives will have means to contact all of the Directors promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any change in the authorized representatives;
- (b) in addition to the appointment of the authorized representatives, to facilitate communication with the Stock Exchange, the contact details of each Director, including his mobile phone number, office phone number, facsimile number and email address have been provided to each of the authorized representatives, our joint company secretaries, the Compliance Adviser (as defined below) who have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters, and the Stock Exchange. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period as and when required;
- (c) pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Maxa Capital Limited as our compliance advisor (the “**Compliance Advisor**”) for the period commencing from the date of our Listing until the date on which our Company announces our financial results and distributes our annual report for the first full financial year after the date of our Listing. The Compliance Advisor will act as our Company’s additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication between us, our authorized representatives, Directors and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between us and the Stock Exchange. Our Company will also inform the Stock Exchange promptly in respect of any change in the Compliance Advisor. Meetings with the Stock Exchange and the Directors can be arranged through our Company’s authorized representatives or the Compliance Advisor, or directly with the Directors with reasonable notice; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) in addition to the Compliance Advisor's role and responsibilities after the Listing (i) to inform our Company on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulations or codes in Hong Kong applicable to our Company, and (ii) to provide advice to our Company on the continuing requirements under the Listing Rules and applicable laws and regulations, our Company will retain a Hong Kong legal advisor to advise it on the compliance with the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the Listing.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders' approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. Should there be any amendment of terms of the Contractual Arrangements or any proposed transaction to be entered into between the Group and its connected person(s), the Group shall comply with the requirements under Chapter 14A of the Listing Rules unless a waiver from the Stock Exchange is obtained as appropriate. For further details, see the section headed "Connected Transactions."

CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to certain percentage of the total number of the Offer Shares offered under the Global Offering if a certain prescribed total demand level is reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be approximately 10% of the Global Offering and in the event of over-subscription under the Hong Kong Public Offering, the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as disclosed in "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation".

PROPOSED SHARE SUBSCRIPTION BY CHINA STRUCTURAL REFORM FUND THROUGH HT AM

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Paragraph 13(7) of the Appendix 6 states that “connected client” in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

For the purpose of the cornerstone investment, China Structural Reform Fund Corporation Limited (“**China Structural Reform Fund**”) has engaged Shanghai Haitong Securities Asset Management Co., Ltd (“**HT AM**”), an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, to subscribe for and hold such Offer Shares on a discretionary basis on behalf of China Structural Reform Fund.

HT AM is a subsidiary of Haitong Securities Co., Ltd. (“**HT Securities**”), the parent company of Haitong International Securities Company Limited (“**HTI Securities**”). Accordingly, HT AM is a connected client of HTI Securities. HTI Securities has been appointed by the Company as one of the Joint Bookrunners of the Global Offering.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit China Structural Reform Fund to participate in the Global Offering through HT AM as a cornerstone investor subject to the following conditions:

1. any Shares to be allocated to HT AM will be held for, and on behalf of, China Structural Reform Fund, an Independent Third Party;
2. the cornerstone investment agreement in relation to HT AM does not contain any material terms which are more favourable to HT AM than those in other cornerstone investment agreements;
3. HTI Securities has not participated, and will not participate, in the decision-making process or relevant discussion among the Company, the Joint Bookrunners and the Underwriters as to whether China Structural Reform Fund (through HT AM) will be selected as a cornerstone investor;
4. no preferential treatment has been, nor will be, given to HT AM by virtue of its relationship with HTI Securities other than the preferential treatment of assured entitlement under a cornerstone investment following principles set out in HKEX-GL51-13;
5. each of the Joint Sponsors, the Company, the Joint Bookrunners, HT AM and HTI Securities has provided the Stock Exchange a written confirmation in accordance with HKEX-GL85-16; and
6. details of the allocation has been/will be disclosed in the prospectus and the allotment results announcement.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by (i) our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, (ii) any of the respective directors, agents, employees or advisers, or (iii) any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be fixed among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, September 18, 2020 and, in any event, not later than Monday, September 21, 2020 (unless otherwise determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Monday, September 21, 2020, the Global Offering will not become unconditional and will lapse immediately.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus, and the procedures for applying for our Shares are set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus and in the related Application Forms. See the section headed “Underwriting” in this prospectus for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue (assuming the Series A Preferred Shares are converted into ordinary shares on a 1:1 basis) and to be issued pursuant to the Global Offering.

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, September 25, 2020. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus. Assuming that the Over-allotment Option is exercised in full, our Company may be required to allot and issue up to an aggregate of 56,130,000 additional new Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our Principal Share Registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed our Hong Kong Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Cayman Companies Law and our Articles;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasized that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the any amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated: (i) the translation between Renminbi and Hong Kong dollars was based on the rate of RMB0.88203 to HK\$1, the exchange rate prevailing on September 4, 2020 published by the PBOC for foreign exchange transactions, and (ii) the translations between U.S. dollars and Hong Kong dollars were based on the rate of US\$1 to HK\$7.7502, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on August 28, 2020.

TRANSLATION

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

| Name | Address | Nationality |
|------|---------|-------------|
|------|---------|-------------|

Executive Directors

| | | |
|--------------------|---|---------|
| Mr. Gao Yu (高宇) | 01-08A, Block 2 Hong Shu Xi An Garden No. 3 Shenwan 1st Road Nanshan District Shenzhen PRC | Chinese |
|--------------------|---|---------|

| | | |
|---------------------------|--|---------|
| Mr. Chen Xiaohui (陳曉暉) | 1001, Unit 1, Block 3 Chun Shui An Phase XV Overseas Chinese Town Nanshan District Shenzhen PRC | Chinese |
|---------------------------|--|---------|

| | | |
|----------------------------|--|---------|
| Mr. Jiang Haiyang (姜海洋) | 1302, Unit 1, Block 4 Chun Shui An Phase XV Overseas Chinese Town Nanshan District Shenzhen PRC | Chinese |
|----------------------------|--|---------|

| | | |
|---------------------------|---|---------|
| Mr. Jiang Keyang (蔣科陽) | B408, Block 2 Great Wall Building 2 Baihua 4th Road Futian District Shenzhen PRC | Chinese |
|---------------------------|---|---------|

Non-Executive Directors

| | | |
|---------------------------|--|---------|
| Mr. Liang Guozhi (梁國智) | Room 2303 Shenzhen Tequ Baoye Building 6008 Shennan Avenue Futian District Shenzhen PRC | Chinese |
|---------------------------|--|---------|

| | | |
|------------------------|--|---------|
| Mr. Yi Feifan (易飛凡) | Room 3162, Unit 3 Building 1 Mercury Garden Sun Palace Chaoyang District Beijing PRC | Chinese |
|------------------------|--|---------|

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent Non-Executive Directors

| | | |
|------------------------|--|---------|
| Mr. Li Hanhui (李漢輝) | Room 1403, 3 Wanhua Middle Street Wanhua Garden Nanzhou North Road Haizhu District Guangzhou PRC | Chinese |
| Mr. Zhao Liang (趙亮) | 16th Floor, Block C Shenzhen International Innovation Center 1006 Shennan Avenue Futian District Shenzhen PRC | Chinese |
| Ms. Zeng Jing (曾靜) | 302, Block 6 Xiangxieli Garden Nongxuan Road Futian District Shenzhen PRC | Chinese |

Further information is disclosed in the section headed “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

China International Capital Corporation

Hong Kong Securities Limited

29/F, One International Finance Centre

1 Harbour View Street

Central

Hong Kong

Citigroup Global Markets Asia Limited

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Three Garden Road

Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators

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Hong Kong

Joint Bookrunners

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Hong Kong Securities Limited**
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1 Harbour View Street
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Offering only)*
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Three Garden Road
Central
Hong Kong

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only)*
33 Canada Square
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Co., Limited**
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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(Hong Kong) Limited**

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United Centre
No. 95 Queensway Admiralty
Hong Kong

**GF Securities (Hong Kong)
Brokerage Limited**

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189 Des Voeux Road Central
Hong Kong

**Haitong International Securities
Company Limited**

22/F Li Po Chun Chambers
189 Des Voeux Road Central
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Joint Lead Managers

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Hong Kong

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Three Garden Road
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Hong Kong

Citigroup Global Markets Limited

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Futu Securities International (Hong Kong) Limited

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United Centre
No. 95 Queensway Admiralty
Hong Kong

GF Securities (Hong Kong) Brokerage Limited

29 – 30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Haitong International Securities Company Limited

22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to our Company

As to Hong Kong and U.S. laws

Davis Polk & Wardwell

18th Floor
The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law

DeHeng Law Offices (Shenzhen)

11/F, Section B Anlian Plaza
No. 4018, Jintian Road
Shenzhen
PRC

As to Cayman Islands law

Conyers Dill & Pearman

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the Joint Sponsors
and the Underwriters**

As to Hong Kong and U.S. laws

Freshfields Bruckhaus Deringer
55th Floor, One Island East
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As to PRC law

Beijing Jingtian & Gongcheng Law Firm
Unit 05-06, 16/F, China Resources Tower
No. 2666 Keyuan South Road
Nanshan District
Shenzhen
PRC

Reporting Accountant and Auditor

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

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Room 1018, Tower B
No. 500 Yunjin Road
Xuhui District
Shanghai
PRC

CORPORATE INFORMATION

| | |
|--|---|
| Registered Office in the Cayman Islands | Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands |
| Headquarters and Principal Place of Business in the PRC | 501-509, East Block Skyworth Semiconductor Design Building 18 Gaoxin South 4th 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 |
| Company Website | <u>https://www.mingyuanyun.com</u> <i>(the information contained on this website does not form part of this prospectus)</i> |
| Joint Company Secretaries | <p>Jiang Keyang (蔣科陽) 501-509, East Block Skyworth Semiconductor Design Building 18 Gaoxin South 4th Road Gaoxin Community Yuehai Subdistrict, Nanshan District Shenzhen PRC</p> <p>Szeto Kar Yee Cynthia (司徒嘉怡) (ACIS, ACS) 31/F., Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong</p> |
| Authorized Representatives | Gao Yu (高宇) 501-509, East Block Skyworth Semiconductor Design Building 18 Gaoxin South 4th Road Gaoxin Community Yuehai Subdistrict, Nanshan District Shenzhen PRC |

CORPORATE INFORMATION

| | |
|--|--|
| | Jiang Keyang (蔣科陽) 501-509, East Block Skyworth Semiconductor Design Building 18 Gaoxin South 4th Road Gaoxin Community Yuehai Subdistrict, Nanshan District Shenzhen PRC |
| Audit Committee | Ms. Zeng Jing (曾靜) (<i>Chairperson</i>) Mr. Li Hanhui (李漢輝) Mr. Zhao Liang (趙亮) |
| Remuneration Committee | Mr. Li Hanhui (李漢輝) (<i>Chairman</i>) Mr. Gao Yu (高宇) Mr. Zhao Liang (趙亮) |
| Nomination Committee | Mr. Gao Yu (高宇) (<i>Chairman</i>) Ms. Zeng Jing (曾靜) Mr. Zhao Liang (趙亮) |
| Principal Share Registrar and Transfer Office | 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 |
| Compliance Advisor | Maxa Capital Limited Flat 08, 19/F Harbour Centre, 25 Harbour Road Wanchai Hong Kong |

CORPORATE INFORMATION

Principal Banks

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

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

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

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus are derived from various government and other publicly available sources, and from the market research report prepared by Frost & Sullivan, an independent industry consultant, that we commissioned (the “Frost & Sullivan Report”). The information extracted from the Frost & Sullivan Report should not be considered as a basis for investments in the Offer Shares or as an opinion of Frost & Sullivan with respect to the value of any securities or the advisability of investing in our Company. We believe that the sources of this information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives (other than Frost & Sullivan), nor is any representation given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. For discussions of risks relating to our industries, see “Risk Factors – Risks Relating to Our Business and Industry.”

SOURCES OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan, an independent market research consulting firm, to conduct a detailed analysis and prepare an industry report on the market in China for (i) on-premise enterprise management software, (ii) SaaS products and (iii) software solutions to the real estate value chain. Frost & Sullivan is an independent global consulting firm founded in the United States in 1961. It is principally engaged in the provision of market research consultancy services, conducting industry research, and providing market and enterprise strategies and consultancy services across various industries. We incurred a total of RMB500,000 in fees and expenses in connection with the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent on our successful Global Offering or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

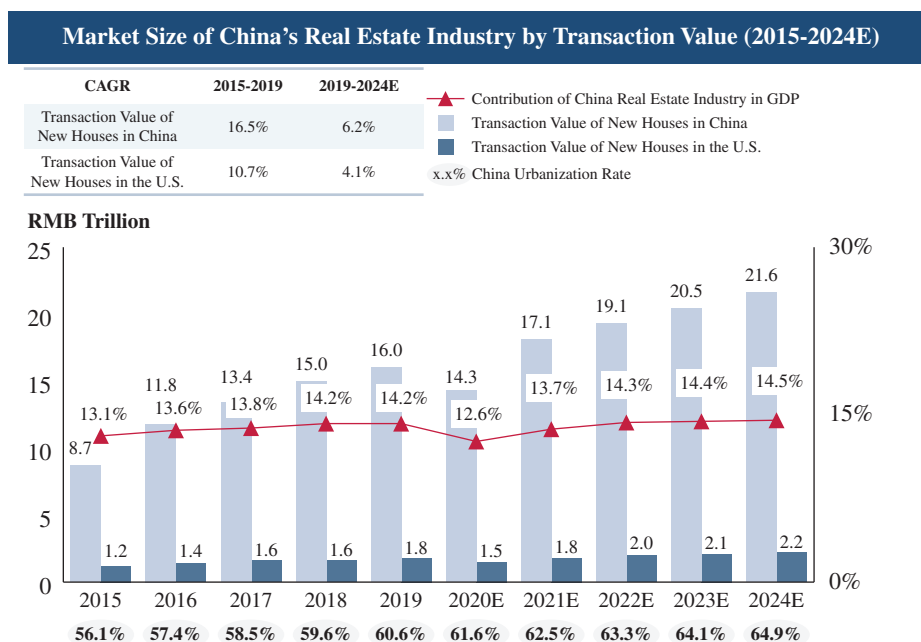
We have extracted certain information from the Frost & Sullivan Report in this section and elsewhere in this prospectus to provide a comprehensive presentation of the markets in which we operate. We believe such information facilitates an understanding of such markets for potential investors. Our Directors confirm that, after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an adverse impact on such information. For the avoidance of doubt, impacts of the COVID-19 outbreak have been taken into account when compiling information in the Frost & Sullivan Report.

INDUSTRY OVERVIEW

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the target research markets. Primary research involved interviewing industry insiders such as leading market players, suppliers, customers, and recognized third-party industry associations. Secondary research involved reviewing company reports, independent research reports, and data based on Frost & Sullivan's own research database. Frost & Sullivan has independently verified the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan's research may be affected by the accuracy of assumptions used and the choice of primary and secondary sources.

OVERVIEW OF CHINA'S REAL ESTATE INDUSTRY

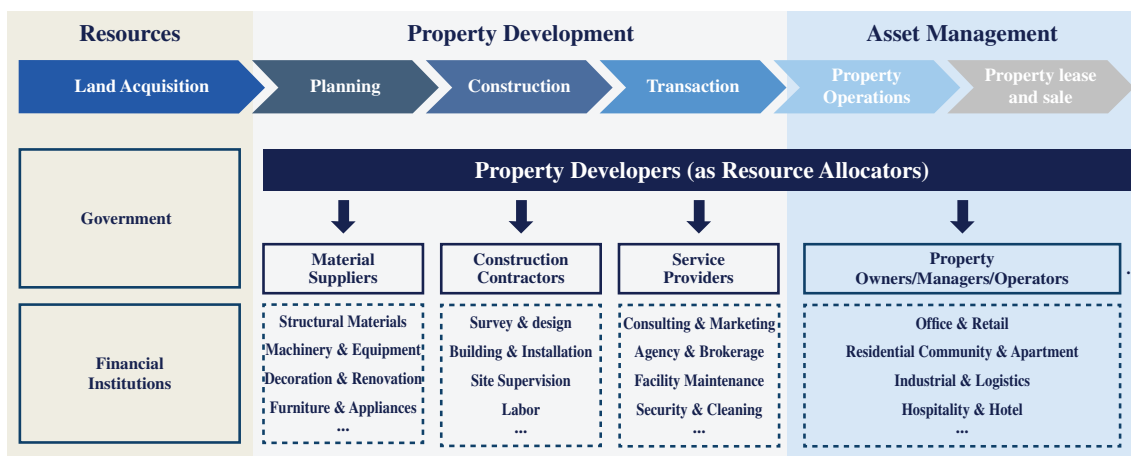
The real estate market in China has grown steadily in the past years. China's rapid urbanization and rising middle class with increasing demand for housing have been and are expected to continue serving as the main growth engines of its real estate industry including its new housing market. In 2019, China's urbanization rate was 60.6%, significantly lower than that of 82.5% in the United States, which potentially requires years for China to catch up even with its rapid growth. The transaction value of new houses in China had grown from approximately RMB8.7 trillion in 2015 to RMB16.0 trillion in 2019. Driven by the increasing urbanization in China and government support, the real estate market in China is expected to continue growing as a major driving force to the national economy in the future, with the transaction value of new houses expected to reach approximately RMB21.6 trillion in 2024.



Note: China's real estate GDP mainly measures the value of constructions, installations, decorations and sales of houses, among others; Urbanization rate means the shares of the urban population in the total population of a given country.

INDUSTRY OVERVIEW

The real estate value chain in China involves a variety of participants throughout the entire property development and asset management cycle, including property developers, property sales agents, suppliers, asset managers, property operators and other industry participants along the real estate value chain, in a complex array of business scenarios. Among these participants, property developers represent the key driving force for the growth of the entire real estate industry, connecting various other participants along the value chain. Unlike in the United States, where the real estate industry participants are highly specialized and have a distinct division of labor and expertise, property developers in China are extensively involved in the full lifecycle of properties as illustrated in the chart below, spanning land acquisition, site planning, construction, transaction and asset management. Uniquely positioned to coordinate and allocate resources throughout the entire value chain, China's property developers have gained tremendous influence over other industry participants and have taken the helm of the industry trends.



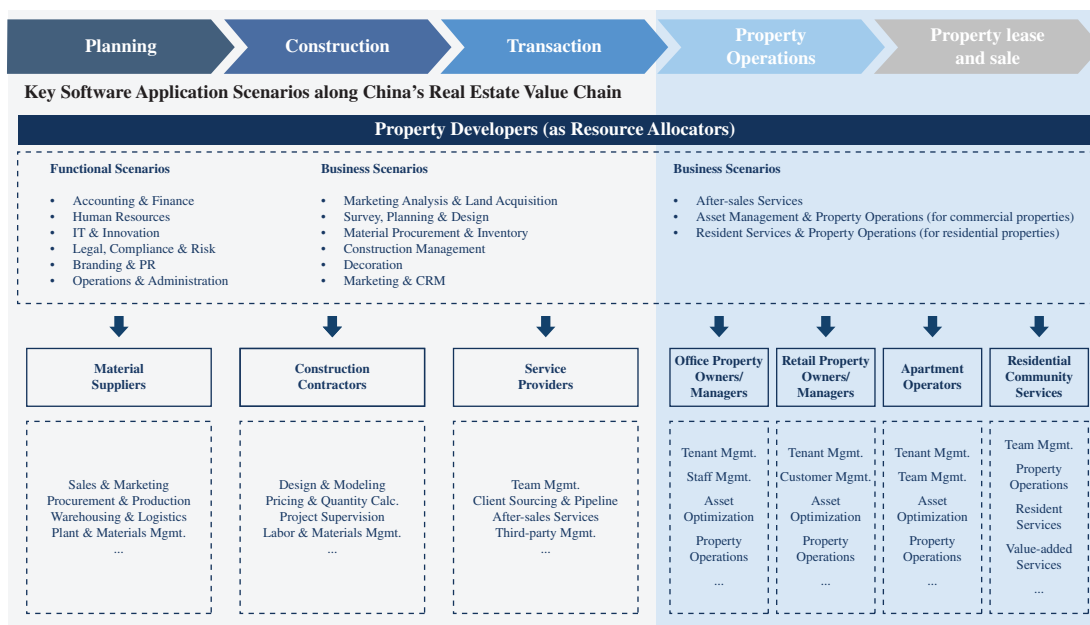
As market competition in China continues to intensify, it has become increasingly important for property developers to reduce operating costs, improve management efficiency and transparency, and better manage customer relationships in order to achieve sustainable and profitable growth in this highly competitive market with more than 30,000 property developers in 2019. In particular, recent developments in government policies in China to manage the growth of its real estate market have further driven property developers to focus on improving operational efficiency and reducing costs.

At the same time, the emergence of cutting-edge technologies such as AIoT, cloud computing, data analytics and virtual reality are driving the technological transformation of the real estate industry in China. Rapid technological changes have resulted in diversified business scenarios and changing customer preferences, all of which require property developers and other industry participants to adapt to more technology-driven business models in order to compete more effectively.

INDUSTRY OVERVIEW

However, property developers in China have historically been underserved by enterprise-grade technologies that are capable of streamlining and optimizing their complex business functions and facilitating the gathering and processing of a vast amount of data and information. Many of these companies have been relying on manual processes or operating with a variety of disparate and disintegrated systems. With technological advancements and rising awareness of property developers, the real estate industry has witnessed an enormous, growing demand for software solutions that enable digitalized, streamlined and optimized business operations for property developers. Apart from property developers, digitalization through adoption of software solutions also empowers other key participants along the real estate value chain under a full spectrum of business scenarios, including procurement, construction, customer relationship management, and property asset management.

The evolving demand for refined business operation and digital transformation of the entire real estate industry and the lack of comprehensive, industry-specific software solutions for property developers and other industry participants along the value chain present significant growth opportunities for us. In 2019, the market for software solutions to the real estate value chain in China reached approximately RMB17.0 billion. The following chart illustrates the key software application scenarios and the roles of key industry participants along China's real estate value chain.



SOFTWARE SOLUTIONS TO THE REAL ESTATE VALUE CHAIN IN CHINA

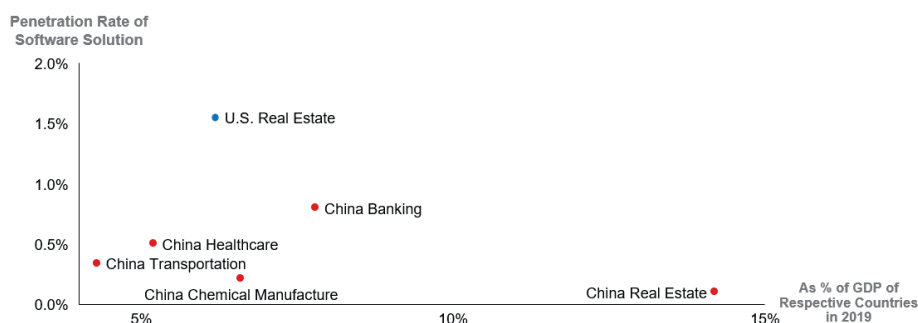
Overview

Software solutions to the real estate value chain in China primarily consist of (i) software solutions to property developers and (ii) software solutions to other industry participants.

INDUSTRY OVERVIEW

Despite being China's largest and most valuable asset class, the real estate sector was traditionally known as a late adopter of technology and digital tools. The penetration rate of software solutions in China's real estate industry is lower than that in other industries in China, primarily because property developers and other industry participants have historically been focused on driving rapid business growth by competing for the tremendous, fast-growing housing demand, which had significantly outpaced the development of their internal management and technology systems. In addition, the comparatively low penetration rate also resulted from the scarcity of comprehensive, industry-specific software solutions that effectively respond to the pain points of property developers and other industry participants throughout their complex business processes and diversified use cases. As illustrated in the chart below, the penetration rate of software solutions in China's real estate industry was still remarkably low and has significant growth potential compared to other comparable industries that are major contributors of China's total GDP, such as banking services and healthcare.

Further, the market for software solutions to the real estate value chain in China is highly underpenetrated compared to that in the United States, the world's largest market for enterprise-grade software solutions. The market for software solutions to the real estate value chain in China had a penetration rate of 0.10% in 2019, significantly lower than that of 1.55% in the U.S. market. With continuous technology development and the increasing need of property developers and other industry participants to digitalize, streamline and optimize their operations, the market for software solutions to the real estate value chain has presented tremendous growth potential. The penetration rate of software solutions in China's real estate industry is expected to rapidly increase from 0.10% in 2019 to 0.30% in 2024. The following diagram illustrates the penetration rates of software solutions and the market sizes of various industries as a percentage of the GDP of China and the United States.



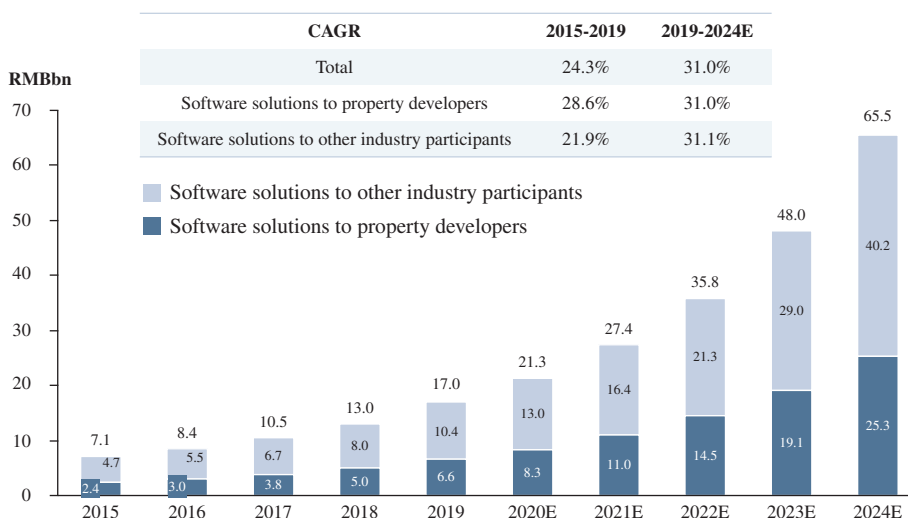
Note: Penetration rate = spending on software solutions in the vertical industry/revenue of the vertical industry.

INDUSTRY OVERVIEW

Market Size of Software Solutions to China's Real Estate Value Chain

The market for software solutions to the real estate value chain in China in terms of revenue has experienced significant growth in recent years, growing from approximately RMB7.1 billion in 2015 to RMB17.0 billion in 2019. With the increasing awareness of digital transformation among property developers and other industry participants, the advancement in technologies and the growing market acceptance of SaaS products that serve various application scenarios, the market for software solutions to the real estate value chain in China in terms of revenue is expected to continue its rapid growth and is expected to reach RMB65.5 billion in 2024, representing a CAGR of 31.0% from 2019 to 2024. The following charts illustrate the historical and estimated size of software solutions to China's real estate value chain by revenue.

Market Size of Software Solutions to China's Real Estate Value Chain by Revenue (2015-2024E)



In particular, the market for software solutions to industry participants other than property developers, such as construction contractors and property asset management companies, has demonstrated significant potential to grow with a penetration rate of 0.1% in 2019. As of December 31, 2019, there were approximately 90,000 construction contractors and 120,000 property asset management companies in this highly fragmented and rivalrous market, which are in the process of rapid digital transformation in order to compete more effectively. It is expected that the market for software solutions to industry participants other than property developers in terms of revenue will grow rapidly from approximately RMB10.4 billion in 2019 to RMB40.2 billion in 2024 at a CAGR of 31.1%. The expected growth is largely driven by increasing demands for data analytics, supply chain management, and a variety of complex and data-driven business and operational scenarios relating to property asset management.

INDUSTRY OVERVIEW

Key Growth Drivers of Software Solutions to China's Real Estate Value Chain

- *Expanded business operations.* With broadened geographic reach, expanded business and evolving commercial relationships, property developers and various other industry participants along the real estate value chain are incentivized to leverage diversified, industry-tailored software solutions, to their increasingly complex business processes. Such solutions allow them to effectively and seamlessly connect with other industry participants, leading to more business opportunities along the entire real estate value chain.
- *Intensified market competition.* The increased competition in the real estate market in China has been compelling industry participants, including property developers, to digitalize, streamline and optimize their business operations through adopting comprehensive, industry-specific software solutions to reduce costs, increase transparency, and improve operational efficiency.
- *Growing popularity of online communications.* Technology has been revamping the way property developers engage with their customers and other industry participants. Comprehensive, intelligent software solutions enable real estate industry participants to connect with their customers and business partners in various business scenarios through internet. Changing customer preferences resulted from a more digital lifestyle also have been driving the adoption of innovative technologies and digital tools to identify potential customers and provide them with more personalized services, thereby enhancing customer relationships and experience.
- *Increasing diversification of industry participants.* The digital transformation in China's real estate market plays a major role in connecting property developers and various other industry participants, which in turn extends the real estate value chain and creates more business opportunities for everyone involved. Industry participants spanning the full lifecycle of properties with diversified demands for digital operations represent significant market opportunities for software solution providers and are expected to drive future market growth.
- *Rising importance of data-driven property asset management.* China's real estate market has accumulated enormous assets over the years, characterized by challenging and complex property operations and asset management requirements, diverse industry participants, and a variety of property types, including residential, commercial, and public properties. A property owner's or manager's ability to effectively manage its property assets can significantly impact its revenue, profitability and risk management. Software solutions that can effectively digitalize, integrate and streamline property operations business functions are expected to greatly contribute to effective property asset management.

INDUSTRY OVERVIEW

- *Technology-driven innovations.* Cutting-edge technologies such as AIoT, cloud computing, data analytics and virtual reality, and innovative product models such as PaaS have been redefining the way industry participants, including property developers, compete in China's real estate market, and how software solutions address their evolving business needs to enhance customer experience and drive operational efficiency.
- *Rising urbanization in China.* China's rising urbanization has been and is expected to continue to be the main growth engine of its real estate industry. The urbanization rate in China grew from 56.1% in 2015 to 60.6% in 2019, and is expected to reach 64.9% by 2024. China's massive population and rising urbanization have created a strong and rising demand for new residential and commercial properties in emerging cities across the country, which will further boost the real estate industry in China. Accordingly, the market for software solutions to the real estate value chain in China is expected the benefit from the prosperity of China's real estate market as a whole.
- *Increasing internet penetration.* China's internet user penetration rate increased from 50.1% in 2015 to 62.3% in 2019 and is expected to reach 72.1% in 2024. The rising internet penetration and wide adoption of mobile devices have paved the way for the rapid growth of digital, cloud-based SaaS products, which are expected to be applied to more business scenarios along the real estate value chain in China.

SOFTWARE SOLUTIONS TO PROPERTY DEVELOPERS IN CHINA

Overview

Property developers in China are the driving force of the real estate industry, connecting other industry participants, facilitating transactions, and allocating resources throughout the entire value chain. The complexity of the business operations of China's property developers in a variety of business scenarios incentivizes them to continuously digitalize, streamline and optimize business processes online through intelligent software solutions. Software solutions to property developers enable property developers to optimize core property-related operations, including sales and marketing, procurement, cost management, project management, budgeting, and property asset management, thereby significantly enhancing business results and efficiency.

The market for software solutions to property developers in China in terms of revenue has achieved significant growth in recent years, growing significantly from approximately RMB2.4 billion in 2015 to RMB6.6 billion in 2019 at a CAGR of 28.6%. Top 100 property developers collectively contributed 53% of the total revenue of this market in 2019. With the increasing adoption of technology-driven software solutions, we expect the penetration of software solutions to accelerate, with the market size in terms of revenue increasing to RMB25.3 billion in 2024, representing a CAGR of 31.0% from 2019 to 2024.

INDUSTRY OVERVIEW

The market for software solutions to property developers in China is currently served by (i) generic software solution providers and (ii) industry-specific software solution providers. Generic software solution providers serve customers with standardized solutions offered across multiple industries. In contrast, industry-specific software solution providers focus exclusively on serving customers in the real estate industry by developing customized software solutions that cater to business needs of property developers and a wide range of business scenarios along the real estate value chain.

Industry-specific software solution providers are expected to continue to take market shares away from their generic competitors within China's real estate market, through combining their extensive industry knowledge with innovative technology-driven products. In particular, industry-specific software solution providers have the following competitive advantages over generic software solution providers.

- *More suitable product features and better use experience.* Thanks to deep understanding of property developers' business models, industry-specific software solution providers are able to offer more competitive products with higher level of customization and compelling use experience, which allows them to enjoy a higher price premium over products offered by generic software solution providers.
- *More effective customer acquisition.* Industry-specific software solution providers leverage long-term relationships with property developers and other industry participants and the resulting strong brand reputation as trusted industry experts, which help them promote their offerings in a cost-effective manner.
- *More profound industry insights.* Leveraging profound industry insights and know-how, industry-specific software solution providers are capable of conducting research and development more effectively and efficiently, timely introducing innovative products to address property developers' evolving demands, and establishing long-standing relationships with key industry participants. This allows them to establish a heightened entry barrier against generic software solution providers.

Among all industry-specific software solution providers that serve property developers in China, *Ming Yuan Cloud* had a dominant 50.2% market share in 2019 in terms of revenue.

INDUSTRY OVERVIEW

On-premise Enterprise Management Software and SaaS Products

Software solutions to property developers mainly consist of (i) on-premise enterprise management software and (ii) SaaS products.

On-premise enterprise management software includes a universe of software solutions that focus on streamlining and optimizing internal management of property developers, such as ERP solutions that integrate multiple core business operations into a unified system and database, and various other software solutions that are specifically tailored to standalone business functions such as supply chain management and human capital management. In 2019, comprehensive ERP solutions accounted for over 60% of the total on-premise enterprise management software in terms of revenue.

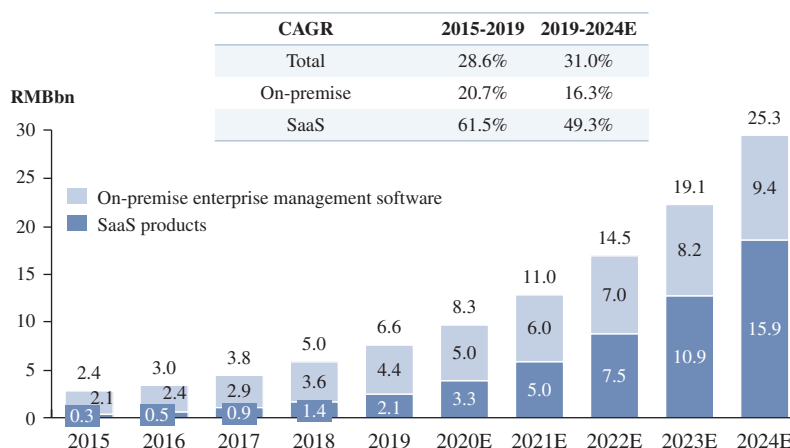
SaaS products are scenario-tailored products that are designed to help property developers interact with their customers, suppliers and other service providers with a goal to enhance business efficiency and drive long-term growth. The following table summarizes the key characteristics of on-premise enterprise management software and SaaS products.

| | On-premise Enterprise Management Software | SaaS Products |
|-------------------------------------|---|--|
| Positioning | Software solutions that focus on streamlining and optimizing internal management of property developers | Scenario-tailored products designed to help property developers interact with their customers, suppliers and other service providers |
| Fee models | Fixed initial licensing and implementation fees and ongoing product support and value-added service fee | Various fee models including subscription fees, implementation fees, and others, which are typically charged throughout the term of the contract |
| Implementation methods | Physically on-premise or through private cloud infrastructure | Through cloud infrastructure |
| Degree of customization | Typically specifically tailored to meet specific customer demands | Relatively standard products with certain degree of customization |
| Product support requirements | Ongoing product support required | Relatively less ongoing product support required |
| Market sizes and growth rate | RMB2.1 billion in 2015 to RMB4.4 billion in 2019 and expected to reach RMB9.4 billion in 2024, representing a CAGR of 16.3% from 2019 to 2024 | RMB0.3 billion in 2015 to RMB2.1 billion in 2019 and expected to reach RMB15.9 billion in 2024, representing a CAGR of 49.3% from 2019 to 2024 |

INDUSTRY OVERVIEW

The following charts illustrate the historical and estimated size of software solutions to property developers in China by revenue.

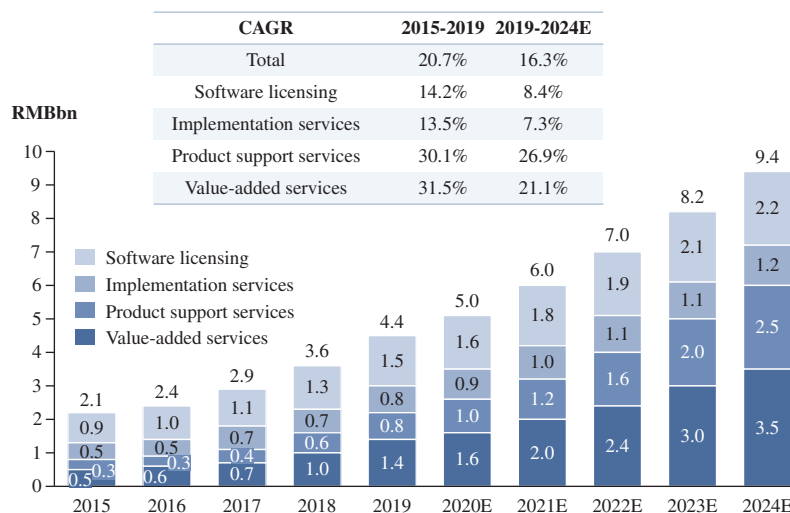
Market Size of Software Solutions to Property Developers in China by Revenue (2015-2024E)



On-premise Enterprise Management Software

The on-premise enterprise management software market in China had experienced sustainable strong growth in the past. The following charts illustrate the historical and estimated size of China's on-premise enterprise management software market by revenue, with a breakdown by service types.

Market Size of On-premise Enterprise Management Software in China by Revenue



INDUSTRY OVERVIEW

Ongoing product support plays a key role in ensuring the effective operation of on-premise enterprise management software. In addition, property developers' increasing needs for upgrading and customization call for a variety of value-added services tailored to the specific needs of customers. As such, product support and value-added services have been and are expected to continue driving the overall growth of this market. Market sizes of product support and value-added services in terms of revenue are expected to further reach RMB2.5 billion and RMB3.5 billion in 2024, at a CAGR of 26.9% and 21.1% from 2019 to 2024, respectively. The total contribution of product support and value-added services in terms of revenue, on a combined basis, was 50% in 2019, and is expected to reach 63.8% in 2024.

SaaS Products

The market for real estate SaaS products in China in terms of revenue had exponentially grown from approximately RMB0.3 billion in 2015 to RMB2.1 billion in 2019, representing a CAGR of 61.5%. Despite rapid historical growth, China's real estate SaaS products market is still underdeveloped with significant potential for accelerated growth, as compared to that of the United States. The U.S. real estate SaaS products market was 11.0 times of that in China in 2019 in terms of revenue. SaaS products were first invented by U.S. companies and have since witnessed remarkable growth in the United States due to its robust IT infrastructure and strong computing storage capability, U.S. companies' preference for standardized enterprise-grade software, and popularity of open-source technology infrastructure that enables flexible and scalable upgrades and customization. Faced with the high labor and operating costs, U.S. real estate companies have adopted a wide range of SaaS products under diverse and evolving business scenarios to improve operational efficiency, such as property asset management and sales management.

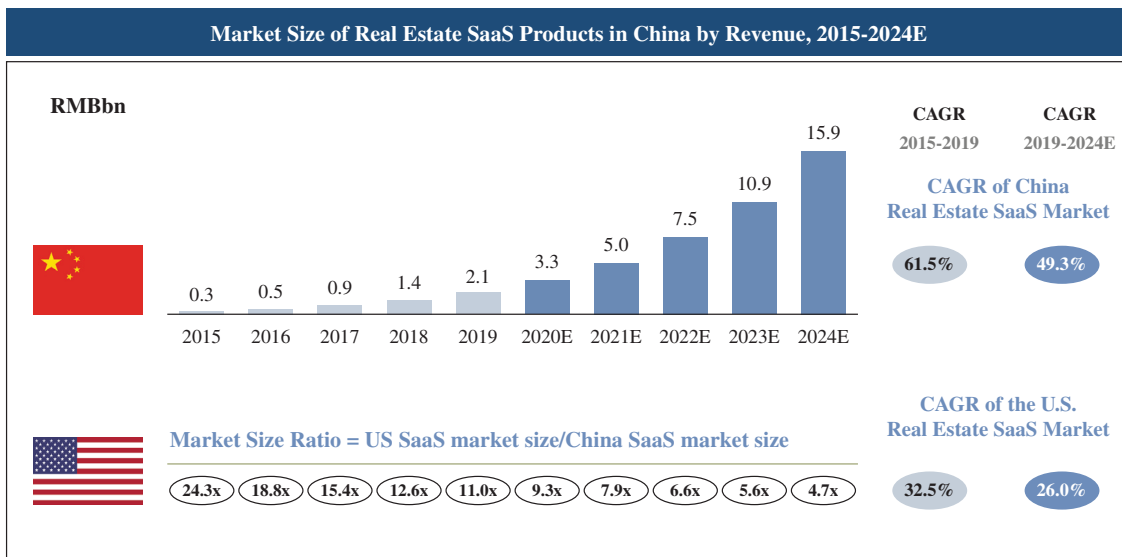
Thanks to recent technological advancements and growing customer acceptance of sophisticated, technology-driven enterprise services, China has been rapidly catching up with the U.S. SaaS industry, with the market size ratio expected to decrease to 4.7 in 2024 in terms of revenue. The rapid technological development in China has provided a sound fundamental for the development of SaaS products. In addition, China has been jumping in as a mobile-first market characterized by a broad array of mobile-friendly, cloud-based enterprise-grade SaaS products.

Looking ahead, given the enormous number of real estate industry participants in China, late but strong demand for digital transformation, emerging startup SaaS vendors, strong integration with AI and IoT technologies and the increasing focus on improving productivity and saving costs, real estate SaaS products in China are experiencing a higher growth rate than the United States. Furthermore, the continuously evolving business scenarios for property developers will further diversify the use cases of SaaS products in China's real estate industry, especially in the property asset management segment, thereby further boosting market acceptance of real estate SaaS products. In addition, real estate SaaS products are also anticipated to enjoy great popularity in business scenarios such as industry data analytics and property transaction management. As such, it is expected that the real estate SaaS products

INDUSTRY OVERVIEW

market in China will continue to experience rapid growth in the near term, with the market in terms of revenue growing from approximately RMB2.1 billion in 2019 to RMB15.9 billion in 2024, representing a CAGR of 49.3%.

The following charts illustrate the historical and estimated size of real estate SaaS products in China by revenue.



Key Growth Drivers for Software Solutions to Property Developers in China

- Demand for digital transformation of China's leading property developers.* China's real estate market is relatively concentrated. The property sales volume of the Top 100 property developers accounted for 63.2% of that of the entire Chinese real estate market as of December 31, 2019, and is expected to continue growing in the near future. The diversified demands for digital operation in a wider array of use cases of property developers, especially the leading players, further drive the development of continuously evolving software solutions. Leading property developers based in top-tier cities in China have a strong demand for digital transformation due to their complex business operations, representing growing market opportunities for leading software solution providers, and driving the development of the entire market for software solutions to property developers.
- Focus on sustainable growth driven by technology.* Today, Chinese property developers are facing more intense competition than they have ever been in the past. Sustainable, long-term profitable growth can no longer be easily achieved by riding on the continuous rapid growth of China's macro-economy and benefiting from the sheer size of the real estate market. Digital transformation and adoption of technology to improve operational efficiency has become a business imperative for effective market competition and sustainable long-term growth.

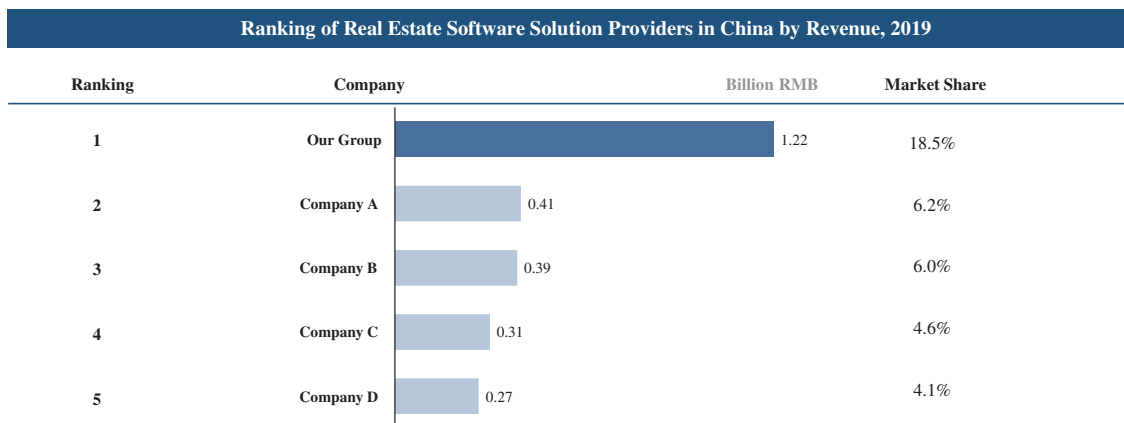
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- *Improvement of IT infrastructure.* Continuous improvement of overall IT infrastructure in China provides a solid fundamental for the continuous growth of software solutions to property developers. The popularity of IaaS has freed property developers from infrastructure development and enabled them to invest more resources in software solutions that address their emerging business needs. The emergence of 5G, cloud-computing and other cutting-edge technologies compels property developers to adopt more cloud-native software solutions in order to connect and engage with their customers and suppliers more effectively.
- *Complexity of business operations of property developers.* The real estate industry is characterized by a universe of complex business processes and diversified business scenarios. The complexity of property developers' operations along the entire real estate value chain therefore requires external technologic companies, which have a deep insight into this particular industry, to provide comprehensive and industry-specific software solutions to address their pain points in each core property-related operation from upstream to downstream.
- *Increasing budget for digital solutions from property developers.* Property developers budget a significant amount of money in their marketing practice. As marketing-related real estate SaaS products introduced by leading software solution providers are able to track down prospective property buyers during the entire decision-making process, attract more visits and improve customer conversion rate, more property developers distribute a growing portion of their marketing budget to purchasing marketing-related real estate SaaS products, which will greatly support the rapid growth of real estate SaaS products.
- *Increasing customer demands driven by product improvements.* Leveraging strong research and development capabilities, providers of software solutions to property developers continue to introduce new products to optimize customer experience and address pain points of the entire real estate industry. The wide market acceptance and popularity of innovative new products in turn brings in considerable revenues for software solution providers, which incentivizes them to continue to innovate and upgrade their product offerings.

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Competitive Landscape for Software Solutions to Property Developers in China

The market for software solutions to property developers in China is relatively concentrated. As of the end of 2019, there were more than 100 market players, while the top five players in terms of revenue in the industry accounted for approximately 39.3% of the market share in 2019. *Ming Yuan Cloud* ranked No. 1 with a substantial market share of 18.5%. The following diagram illustrates the market shares of the top five players in terms of revenue in 2019.

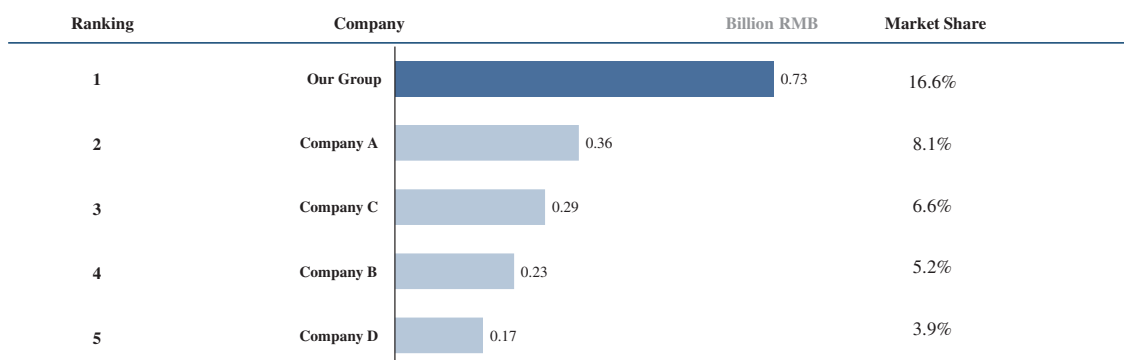


- (1) Company A (HK-listed) is a leading enterprise management software company in China, providing ERP solutions, financial accounting management, human resources management, and intelligent manufacturing for companies in different industries through on-premise enterprise management software solutions and SaaS products. Established in 1993, Company A has a successful track record of launching generic software solutions that cater to different business scenarios and groups of customers in different industries.
- (2) Company B (Shenzhen-listed) is a leading software solution provider in the field of construction engineering digitalization in China, which covers digital cost management, digital construction and cost control. Established in 1998, Company B served more than 800,000 enterprises, covering over 200 cities worldwide including in China.
- (3) Company C (NYSE-listed) is a leading global ERP solution provider of end-to-end enterprise application software, database, analytics, intelligent technologies, and experience management. Established in 1972, Company C is a leading cloud company with over 200 million users worldwide as of December 31, 2019.
- (4) Company D (Shanghai-listed) specializes in the research, development and provision of software and solutions for ERP, CRM, human resources management, business intelligence and office automation for companies in different industries through on-premise enterprise management software solutions and SaaS products. Established in 1988, Company D has more than 230 branches and 5,000 business partners worldwide, and served more than 5.22 million enterprises and public institutes around the globe including in China.

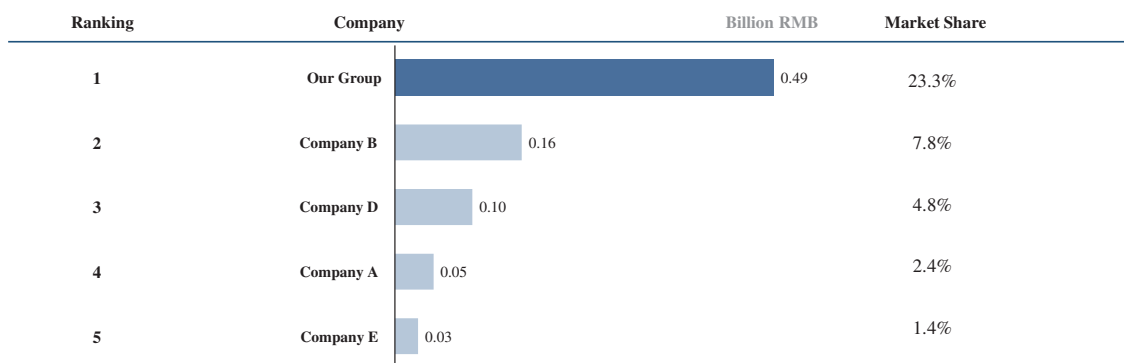
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In addition, in each of the on-premise enterprise management software market and the SaaS products market in China, *Ming Yuan Cloud* was the No. 1 player in 2019 with a market share of 16.6% and 23.3%, respectively. The following diagrams illustrate the market shares of the top five players in terms of revenue in the on-premise enterprise management software solutions market and the SaaS products market in China in 2019, respectively.

Ranking of Real Estate On-Premise Enterprise Management Software Providers in China by Revenue, 2019



Ranking of Real Estate SaaS Products Providers in China by Revenue, 2019



(1) Company E is a generic talent management software provider which also serves companies in the real estate industry with talent management SaaS products.

Entry Barriers for Software Solutions to Property Developers in China

- *Deep industry know-how and expertise.* Software solution providers that exclusively focus on serving the real estate industry in China leverage their extensive industry knowledge and deep understanding of property developers' complex and evolving business models and the latest industry trends. Therefore, they are well-positioned to provide value-added products and services, address property developers' diverse and emerging needs and capture the market opportunities.

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- *Broad and loyal customer base.* Since software solutions provide strong support to property developers throughout every core property-related operations, property developers incline to stick to products and services provided by one particular software solution provider. The significant switching cost and potential risks of customer and business loss that property developers may be exposed to in switching product and service providers erect a high barrier for new entrants.
- *Strong brand awareness and reputation.* Property developers in China generally prefer to choose offerings of reputable software solution providers with a long operating history, high-quality customer services, and reliable and effective products. In particular, regional and small- to medium-sized property developers also prefer to choose products used by leading property developers in the industry.
- *Effective and extensive sales and distribution channels.* China's real estate market involves a large number of property developers that are disperse across China. The wide distribution of customers requires software solution providers to have a nationwide sales and distribution network, and build effective sales force to serve their widespread customer base.

Future Trends for Software Solutions to Property Developers in China

- *Accelerated adoption of software solutions by property developers.* As market competition intensifies, property developers in China are expected to expedite adoption of technology-driven software solutions to reduce operating costs and improve operational efficiency. In particular, small- and medium-sized property developers in regional markets are expected to keep up with the leading players and embrace the era of digitalization through adoption of software solutions.
- *Diversified SaaS products as a new growth engine.* SaaS products are becoming the new engine to drive the growth of the market for software solutions to property developers in China. SaaS products are expected to become increasingly popular among property developers since they tackle with the pain points in specific use cases along the real estate value chain, which were left unaddressed by traditional software solutions. In addition, smart devices that enhance the functionality and performances of SaaS products supplement the traditional pure-play business models for SaaS products, which is expected to further propel the growth of SaaS products.
- *Sustainable growth of ERP solutions.* The on-premise enterprise management software market is expected to continue to thrive. Driven by property developers' increasing demands for customization, product support and value-added services are expected to drive the continuous growth of the on-premise enterprise management software market. In addition, the extensive popularity of ERP solutions among leading property developers in top-tier cities in China is expected to attract more small- and medium-sized regional property developers to adopt specialized enterprise management software. The penetration into regional markets is likely to boost the continued growth of ERP solutions.

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- *Extension of services along the real estate value chain.* Digital transformation of the entire real estate industry in China creates enormous opportunities for software solution providers who are capable of developing products to address the needs of various industry participants. By empowering property developers, which are the benchmark and influencer of China's real estate industry, software solution providers will attract more industry participants along the value chain.
- *Growing role of cloud-based open infrastructure.* As business scenarios are becoming more fragmented, property developers are more inclined to collaborate with software solution providers that are capable of offering cloud-based, highly scalable software solutions supported by robust, open technology infrastructure that allows nimble and cost-effective customization and upgrades from time to time. As such, software solution providers that adopt a strong PaaS business model with "low-code" or "no-code" software development capabilities are expected to thrive in this market.
- *Continuous technology innovations.* The increasing adoption of technologies will allow software solution providers to significantly reduce the cost of product innovation, which is expected to drive more rapid and effective product development and upgrades. Software solutions to property developers are also expected to reshape and optimize more business scenarios with the application of new technologies such as AIoT, cloud computing, data analytics and virtual reality.
- *Heightened entry barriers.* Leading software solution providers in China's real estate industry have gained valuable customer relationships and brand value, which takes years to build. New entrants will have difficulties in building the scale in short period of time. Through years of innovations, pioneers in this market have accumulated experience and data important to obtain significant visibility into customers' business need and industry trends, which further heightened the entry barriers.

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We provide enterprise-grade ERP solutions and SaaS products to property developers and other industry participants along the real estate value chain in China. Through integrating our deep industry expertise with relentless product innovation, we have developed a comprehensive suite of industry-specific ERP solutions and SaaS products for property developers and other real estate industry participants to manage a wide range of business operations, including sales and marketing, procurement, cost management, project management, budgeting, and property asset management.

Our Group was founded in 2003 with the establishment of one of our principal subsidiaries, Ming Yuan Cloud Technology, which was co-founded by Mr. Gao, Mr. Chen and Mr. Jiang, our Directors and Controlling Shareholders, with their personal funding and contributions. Mr. Gao, Mr. Chen and Mr. Jiang have extensive experience in the software solutions industry in the PRC. For details of each of their biography, see the section headed “Directors and Senior Management” of this prospectus.

In preparation for the Global Offering and in order to streamline our corporate structure, we implemented the Reorganization to consolidate our interests in Ming Yuan Cloud Technology. For details of the Reorganization, see the sub-section headed “Reorganization” in this section.

KEY MILESTONES

The following table summarizes the key milestones in our operational history.

| Year | Milestone |
|------|---|
| 2003 | Established Ming Yuan Cloud Technology, our principal subsidiary |
| 2006 | Launched an integrated suite of ERP solutions for property developers to manage their business processes across organization |
| 2008 | Established a national research, development and support center in Wuhan |
| 2009 | Established <i>Ming Yuan Real Estate Research Institute</i> |
| 2014 | Launched <i>Procurement Cloud</i> (雲採購), a procurement and supply chain management platform that connects property developers and construction materials suppliers and other service vendors and facilitates the complex material procurement and bidding process over the Internet |
| | Launched <i>CRM Cloud</i> (雲客), which provides property developers with innovative digital marketing and site management tools to generate sales leads, identify prospective property purchasers, facilitate contract execution and deposit payment, and manage the overall operation of their property sales offices |

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| Year | Milestone |
|------|---|
| 2017 | <p>Launched <i>Asset Management Cloud</i> (雲空間), a property asset management support tool for rental properties with respect to property operations, rental management and asset optimization</p> <p>Launched <i>Construction Cloud</i> (雲鏈), a property construction collaboration and project management tool</p> |
| 2019 | <p>Launched a new cloud-based version of ERP solutions for property developers</p> <p>Served nearly 3,000 property developers in 2019, covering 99 of the Top 100 property developers</p> |

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities, date of establishment and date of commencement of business of each member of our Group that made a material contribution to our results of operation during the Track Record Period are shown below:

| Name of company | Place of establishment | Principal business activities | Date of establishment and commencement of business |
|-----------------------------|------------------------|--|--|
| Ming Yuan Cloud Technology | PRC | sale of ERP and SaaS software products, related services and information consultation services | November 27, 2003 |
| Ming Yuan Cloud Procurement | PRC | operation of a procurement and supply chain management platform, <i>Procurement Cloud</i> (雲採購), which involves the provision of procurement information for property developers, construction materials suppliers and other service vendors | April 22, 2014 |
| Ming Yuan Cloud Client | PRC | design, research and development of our <i>CRM Cloud</i> (雲客) product and related services | July 30, 2014 |
| Ming Yuan Cloud Space | PRC | design, research and development of our <i>Asset Management Cloud</i> (雲空間) product and related services | August 6, 2015 |
| Ming Yuan Cloud Chain | PRC | design, research and development of our <i>Construction Cloud</i> (雲鏈) product and related services | April 12, 2019 |

APPLICATION FOR LISTING IN PRC AND LISTING ON AND DELISTING FROM NEEQ

In March 2011, Ming Yuan Cloud Technology applied for listing of its shares on the growth enterprise board (ChiNext board) of the Shenzhen Stock Exchange (the “**ChiNext Application**”) but was not successful pursuant to a decision of the CSRC dated April 24, 2012 as the CSRC considered at the relevant time that (i) majority of its sales were derived from existing customers rather than from new customers; (ii) relatively large amount of its sales revenues were contributed by small and medium-sized property developers; and (iii) the procurements of products from small and medium-sized customers may be adversely affected by the macro-policy adjustment of the property development industry in the PRC since 2010. The Directors are of the view that the above-mentioned issues are no longer applicable and relevant since 2012 due to developments in our Group’s business model and customer base, and the change in the macro-economic environment in the PRC. In particular:

- (i) we have been continuously broadening our customer base and have achieved continuous revenue growth since the ChiNext Application, which demonstrates that we are able to continuously grow whilst enjoying the stability provided by our existing customers in terms of revenue contribution. Furthermore, we believe property developers are inclined to stick to products and services provided by one particular software solution provider, as it would take existing clients a considerable amount of time and capital to adopt new software solution products from other providers in place of the products offered by us. Therefore, we believe it is common for existing customers to continue to subscribe for our product support services and value-added services in connection with our ERP solutions and for our SaaS products. We believe existing customers will continue to be the driving force for our sustained growth, and customer retention and revenue retention rates are key indicators of our monetization capability.
- (ii) with the progress of our business, we have established stronger relationships with the top 100 property developers in the PRC since the ChiNext Application. In 2019, we directly and indirectly served approximately 4,000 paying end group customers, including nearly 3,000 property developers, serving 99 paying end group customers that were Top 100 property developers, which collectively contributed 42% of our total revenues in the same year.
- (iii) According to Frost & Sullivan, the market size of software solutions for the real estate value chain in the PRC in terms of revenue has experienced significant growth in recent years, growing from approximately RMB7.1 billion in 2015 to RMB17.0 billion in 2019, and is expected to reach RMB65.5 billion in 2024, representing a CAGR of 31.0% from 2019 to 2024; moreover, the transaction value of new houses in the PRC had grown from approximately RMB8.7 trillion in 2015 to RMB16.0 trillion in 2019, and is expected to reach approximately RMB21.6 trillion in 2024, representing a CAGR of 6.2% from 2019 to 2024. As demonstrated by the growth in the market for software solutions to the real estate value chain in the PRC and the

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growth of our business since 2010, we believe the said adjustment in the macro-policy of the property development industry since 2010 has not had a material adverse impact on the industry as a whole, our business operations or financial performance. Furthermore, with the launch of certain SaaS products, being (i) Procurement Cloud (雲採購) in 2014, (ii) Construction Cloud (雲鏈) in 2017 and (iii) Asset Management Cloud (雲空間) in 2017, we expanded our composition of customer base from property developers to other non-property developers, such as construction contractors, construction materials suppliers, other service vendors and property asset management companies, thereby reducing our risk exposure to potential adverse impact on our Company's business operations or financial performance which might be caused by any adjustments in the macro-policy of the property development industry in China.

Based on the due diligence works conducted by the Joint Sponsors and the status on the developments in the Group's business model and customer base, and changes in the macro-economic environment in the PRC in light of the assessment of the issues raised in the rejection of application for listing on ChiNext board as elaborated above, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' views mentioned above in relation to the resolution of issues resulting in the rejection of application for the ChiNext Application.

Subsequently, the NEEQ was launched in China in 2013 which provided a new platform for the Company to list its shares. Ming Yuan Cloud Technology believed that as compared to the ChiNext board, the NEEQ offered a more time and cost efficient listing process to applicants. It also believed that the coverage of industries involved in NEEQ was broader than that of the ChiNext board, and the conditions on disposal and transfer of shares after listing are more flexible for companies listed on the NEEQ. The NEEQ was a popular listing platform in China as evidenced by the substantial increase in the number of companies listed on it with 1,572 companies listed in 2014 and 5,129 companies listed in 2015. Based on the above characteristics, Ming Yuan Cloud Technology believed that the NEEQ offered more flexibility and favourable policies as compared to the ChiNext board and considered the NEEQ to be a more attractive platform for listing. As such, Ming Yuan Cloud Technology applied to the NEEQ for the listing of its shares in 2015. Such application was successfully approved by NEEQ and on June 19, 2015, the shares of Ming Yuan Cloud Technology were listed on NEEQ (Ticker Symbol: 832498) (the “**NEEQ Listing**”). The NEEQ Listing helped Ming Yuan Cloud Technology to gain access to a more active and effective platform of corporate financing and to strengthen corporate governance in pursuit of long-term business development.

Following the continued growth in our scale of business and with a view to tap into capital markets with boarder investor base given the market condition of NEEQ, we decided to explore the option of listing on the Small and Medium-sized Enterprises Board (“**SME Board**”) of the Shenzhen Stock Exchange (the “**Proposed Listing on the SME Board**”). On September 4, 2017, Ming Yuan Cloud Technology completed pre-listing tutoring filing to the Shenzhen Office of the CSRC (中國證券監督管理委員會深圳證監局) in connection with the Proposed Listing on the SME Board.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Subsequently, in 2019, having considered that the trading activity and brand awareness on the SME Board may not be able to meet our expectation, in particular, the Directors consider that international investors are relatively more familiar with our Company's industries, business and our SaaS products, such that the fair value of our Group can be identified and established by seeking the Listing on the Stock Exchange, and having taken into account our long-term business development plan (including to explore potential opportunities for our overseas expansion and to have greater access to diverse and global investors), financing needs for our further expansion and familiarity of the international investors with our industry, our Directors consider the Stock Exchange, as an internationally recognised and reputable stock exchange, to be a more appropriate listing venue that provides us with a good platform to access the international equity market and expand our business. In particular, certain of the comparable companies in our Company's industries are listed on the Stock Exchange, and the Directors believe that listing on the Stock Exchange will enable our Company to have better access to investors on the international market who are more familiar with our Company's industries and business model.

As part of the plan, on January 16, 2019, Ming Yuan Cloud Technology was delisted from NEEQ (the “**NEEQ Delisting**”, together with the NEEQ Listing, the “**NEEQ Listing and Delisting**”) by way of its voluntary application for delisting. The directors of Ming Yuan Cloud Technology were of the view that the decision to delist from NEEQ was in line with the development needs of Ming Yuan Cloud Technology and the long term strategic planning of Ming Yuan Cloud Technology in the equity market. There was no monetary or other consideration offered to the then shareholders of Ming Yuan Cloud Technology in connection with the NEEQ Delisting. On September 6, 2019, Ming Yuan Cloud Technology also determined not to pursue the Proposed Listing on the SME Board and voluntarily terminated the pre-listing tutoring. Ming Yuan Cloud Technology did not submit any formal listing application in relation to the Proposed Listing on the SME Board to any regulatory authority in the PRC.

The Directors believe that the decision to delist from NEEQ and to not pursue the proposed listing on the SME Board of the Shenzhen Stock Exchange was commercially sensible and in the interest of the long-term development of Ming Yuan Cloud Technology.

Our Directors have confirmed, and the PRC Legal Advisor is of the view that, during the period that Ming Yuan Cloud Technology was listed on NEEQ, it was in material compliance with all applicable laws, and none of Ming Yuan Cloud Technology, its shareholders or directors has been subject to any investigations or disciplinary actions in connection with Ming Yuan Cloud Technology by any regulatory authority or committed any material breach in connection with Ming Yuan Cloud Technology of the relevant rules governing NEEQ. The Directors have confirmed that there is no further matter in relation to the NEEQ Listing and Delisting that needs to be brought to the attention of the regulators or our investors.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Based on the due diligence works conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' views mentioned above in relation to the compliance record of Mingyuan Cloud Technology, its shareholders and directors during the NEEQ Listing and Delisting, or indicate that there were any material issues relating to the Proposed Listing on the SME Board.

Other than those disclosed in this prospectus and set out in the listing application, the Joint Sponsors are also of the view that there is nothing else ought to be brought to the attention of the Stock Exchange arising from the ChiNext Application, the NEEQ Listing and Delisting and the Proposed Listing on the SME Board.

After the NEEQ Delisting and immediately prior to the commencement of the Reorganization, the shareholders of Ming Yuan Cloud Technology and their respective shareholding are set out in the table below.

| Shareholders of Ming Yuan Cloud Technology | No. of shares | Approximate Shareholding |
|---|--------------------|--------------------------|
| Mr. Gao ⁽¹⁾ | 39,552,360 | 29.70% |
| Mr. Chen ⁽²⁾ | 29,664,480 | 22.27% |
| Mr. Jiang ⁽³⁾ | 18,627,660 | 13.99% |
| Mr. Yao Wu (姚武) ⁽⁴⁾ | 4,832,100 | 3.63% |
| Dachen Entities ⁽⁵⁾ | 11,194,800 | 8.40% |
| Shenzhen Mingyuan Zhongshuo Investment Partnership (Limited Partnership) (深圳市明源眾碩投資合夥企業(有限合夥)) ⁽⁶⁾ | 5,175,000 | 3.89% |
| Shenzhen Mingyuan Huihai Investment Partnership (Limited Partnership) (深圳市明源匯海投資合夥企業(有限合夥)) ⁽⁶⁾ | 2,310,000 | 1.73% |
| Shenzhen Mingyuan Juchuang Investment Partnership (Limited Partnership) (深圳市明源聚創投資合夥企業(有限合夥)) ⁽⁶⁾ | 3,165,000 | 2.38% |
| Other Shareholders ⁽⁷⁾ | 18,663,600 | 14.01% |
| Total | 133,185,000 | 100.00% |

Notes:

- (1) As part of the Reorganization, Mr. Gao's interest in Ming Yuan Cloud Technology was converted into ordinary Shares of our Company and is held through GHTongRui Investment Limited.
- (2) As part of the Reorganization, Mr. Chen's interest in Ming Yuan Cloud Technology was converted into ordinary Shares of our Company and is held through HengXinYuan Investment Limited.
- (3) As part of the Reorganization, Mr. Jiang's interest in Ming Yuan Cloud Technology was converted into ordinary Shares of our Company and is held through LINGFAN Investment Limited.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (4) As part of the Reorganization, Mr. Yao Wu's ("Mr. Yao") interest in Ming Yuan Cloud Technology was converted into ordinary Shares of our Company and is held through JIABAOSZ Investment Limited.
- (5) As part of the Reorganization, the interest of Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)), Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)) and Shenzhen Dachen Caizhi Venture Capital Investment Management Limited (深圳市達晨財智創業投資管理有限公司) (the "**Dachen Entities**") in Ming Yuan Cloud Technology was converted into ordinary Shares of our Company and is held through Beijing Chenchuang Management Consultation Center (Limited Partnership) (北京宸創管理諮詢中心(有限合夥)) ("**Beijing Chenchuang**").
- (6) These partnerships were shareholding platforms held by the employees and/or former employees of our Group. As part of the Reorganization, their interests in Ming Yuan Cloud Technology were converted into ordinary Shares of our Company and are consolidated and held through MYC United Power Investment Holdings Limited, MYC Brilliant Alliance Investment Holdings Limited, MYC Prosperity Investment Holdings Limited and/or MYC Blooming Success Investment Holdings Limited.
- (7) Other shareholders included 55 employees and former employees of our Group and 13 shareholders of our regional channel partners. As part of the Reorganization, their interests in Ming Yuan Cloud Technology were converted into ordinary Shares of our Company and are consolidated and held through MYC United Power Investment Holdings Limited, MYC Brilliant Alliance Investment Holdings Limited, MYC Prosperity Investment Holdings Limited and/or MYC Blooming Success Investment Holdings Limited.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY AND OUR PRINCIPAL SUBSIDIARIES

Shareholding changes of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 3, 2019 as the ultimate holding company of our Group. The authorized share capital of our Company is HK\$380,000 divided into 380,000,000 shares with a par value of HK\$0.001 each upon incorporation. For details of the shareholding of each of the Shareholders of our Company upon incorporation, please see the sub-section headed "– Reorganization – II. Establishment of our Company" in this section.

For subsequent shareholding changes of our Company as part of the Pre-IPO Investments and Reorganization, see the sub-sections headed "– Reorganization" and "– Pre-IPO Investments" in this section.

Shareholding changes of our principal subsidiaries

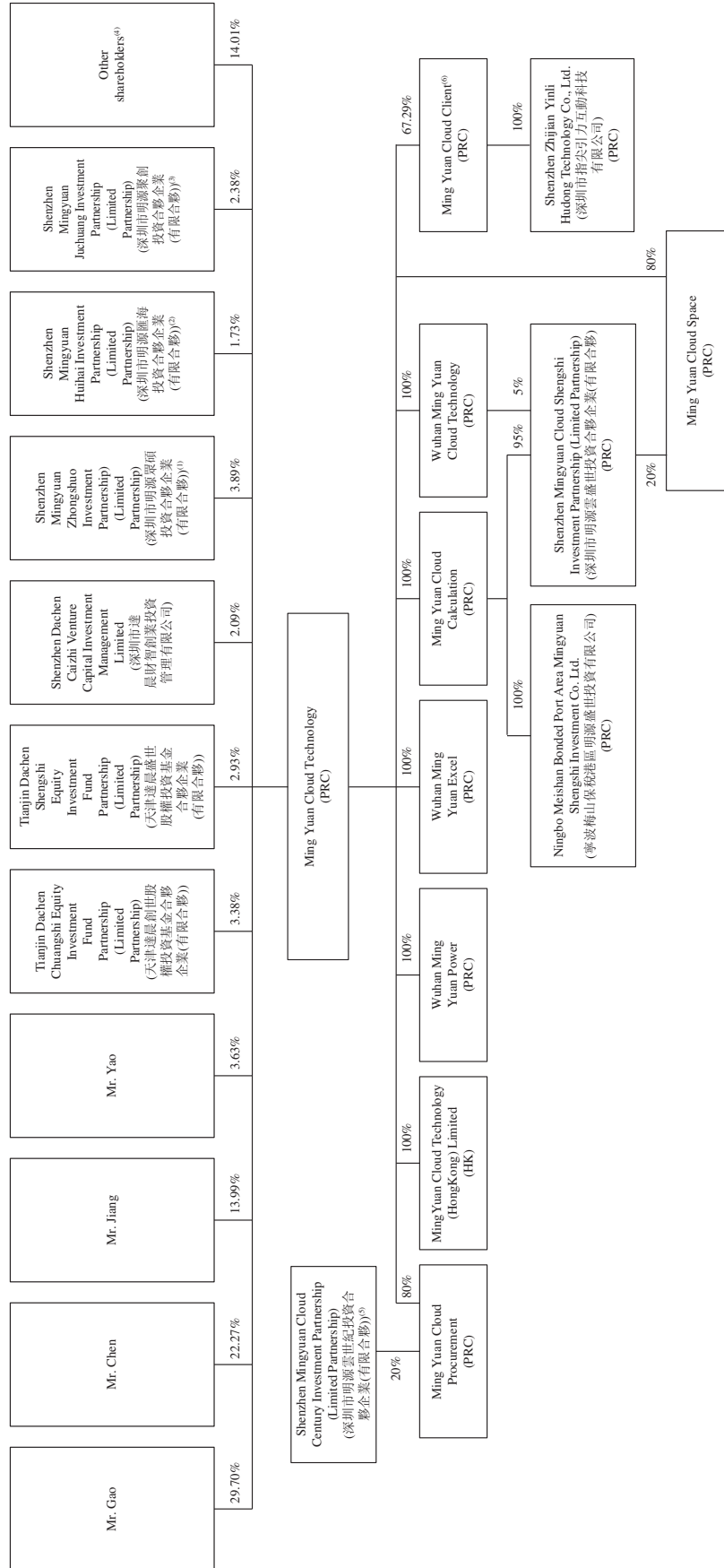
For details of the changes in shareholding in our principal subsidiaries, see the section headed "Appendix IV. Statutory and General Information – A. Further Information about our Group – 5. Changes in the Capital of our Subsidiaries" of this prospectus.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our inception that we consider to be material to us.

REORGANIZATION

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the commencement of the Reorganization.



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Shenzhen Mingyuan Zhongshuo Investment Partnership (Limited Partnership) (深圳市明源眾碩投資合夥企業(有限合夥)) was a shareholding platform held by 43 employees of our Group, with Mr. Jiang acted as the general partner immediately prior to the Reorganization.
- (2) Shenzhen Mingyuan Huihai Investment Partnership (Limited Partnership) (深圳市明源匯海投資合夥企業(有限合夥)) was a shareholding platform held by 17 employees of our Group, with Mr. Jiang acted as the general partner immediately prior to the Reorganization.
- (3) Shenzhen Mingyuan Juchuang Investment Partnership (Limited Partnership) (深圳市明源聚創投資合夥企業(有限合夥)) was a shareholding platform held by 35 employees of our Group, with Mr. Jiang acted as the general partner immediately prior to the Reorganization.
- (4) Other shareholders included 55 employees and former employees of our Group and 13 shareholders of our regional channel partners, which held approximately 11.88% and 2.13% of the equity interests in Ming Yuan Cloud Technology, respectively, immediately prior to the Reorganization.
- (5) Shenzhen Mingyuan Cloud Century Investment Partnership (Limited Partnership) (深圳市明源雲世紀投資合夥企業(有限合夥)) is a shareholding platform held by 17 employees of our Group and Ming Yuan Cloud Calculation acted as the general partner immediately prior to the Reorganization.
- (6) The remaining equity interests of Ming Yuan Cloud Client were held as to 16.36% by Mr. Yao, 1.40% by Mr. Zeng Weixiong (曾偉雄) (an employee of our Group), 5.61% by Mr. Wang Jianfeng (王劍峰) (an employee of our Group), 2.80% by Jiangsu Run Ye Investment Limited (江蘇潤業投資有限公司) (an Independent Third Party) and 6.54% by Shenzhen Mingyuan Cooperative Investment Partnership (Limited Partnership) (深圳市明源共創投資合夥企業(有限合夥)), a shareholding platform held by 23 employees of our Group with Mr. Yao Wu (姚武) acted as the general partner immediately prior to the Reorganization. Shenzhen Mingyuan Cooperative Investment Partnership (Limited Partnership) (深圳市明源共創投資合夥企業(有限合夥)) subscribed for such 6.54% of the equity interest of Ming Yuan Cloud Client on June 22, 2017 with capital injection of RMB700,000, prior to the subscription, Ming Yuan Cloud Client was held as to 72% by the Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In preparation for the Global Offering, we underwent the following Reorganization before the listing.

I. Transfer of the interests of the employees of our Group in Ming Yuan Cloud Technology to their shareholding platforms

On April 8, 2019, Mr. Jiang and 37 then shareholders of Ming Yuan Cloud Technology transferred an aggregate of approximately 7.98% of the equity interests in Ming Yuan Cloud Technology to Shenzhen Mingyuan Juye Investment Partnership (Limited Partnership) (深圳市明源聚業投資合夥企業(有限合夥)) and Shenzhen Mingyuan Juxin Investment Partnership (Limited Partnership) (深圳市明源聚鑫投資合夥企業(有限合夥)). Following the transfer, the shareholders of Ming Yuan Cloud Technology and their respective shareholding are set out in the table below.

| Shareholders of Ming Yuan Cloud Technology | No. of shares | Approximate Shareholding |
|---|--------------------|--------------------------|
| Mr. Gao | 39,552,360 | 29.70% |
| Mr. Chen | 29,664,480 | 22.27% |
| Mr. Jiang | 18,427,660 | 13.84% |
| Mr. Yao | 4,832,100 | 3.63% |
| Dachen Entities | 11,194,800 | 8.40% |
| Shenzhen Mingyuan Zhongshuo Investment Partnership (Limited Partnership) (深圳市明源眾碩投資合夥企業(有限合夥)) ⁽¹⁾ | 5,175,000 | 3.89% |
| Shenzhen Mingyuan Huihai Investment Partnership (Limited Partnership) (深圳市明源匯海投資合夥企業(有限合夥)) ⁽¹⁾ | 2,310,000 | 1.73% |
| Shenzhen Mingyuan Juchuang Investment Partnership (Limited Partnership) (深圳市明源聚創投資合夥企業(有限合夥)) ⁽¹⁾ | 3,165,000 | 2.38% |
| Shenzhen Mingyuan Juye Investment Partnership (Limited Partnership) (深圳市明源聚業投資合夥企業(有限合夥)) ⁽²⁾ | 5,722,360 | 4.30% |
| Shenzhen Mingyuan Juxin Investment Partnership (Limited Partnership) (深圳市明源聚鑫投資合夥企業(有限合夥)) ⁽²⁾ | 4,895,800 | 3.68% |
| Other Shareholders ⁽³⁾ | 8,245,440 | 6.19% |
| Total | 133,185,000 | 100.00% |

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Notes:

- (1) The purpose of establishing these 3 shareholding platforms was to incentivize certain employees of our Group pursuant to an one-off employee incentive arrangement of Ming Yuan Cloud Technology. The consideration paid by the relevant employees for the awards was RMB2.83 or RMB10.00 per share, depending on the time of the grant of awards. Since the maximum number of holders of these limited partnerships was limited to 50 individuals or entities, 3 shareholding platforms were established to include all relevant employees as there were 49, 44 and 17 relevant shareholders holding interests in Shenzhen Mingyuan Zhongshuo Investment Partnership (Limited Partnership) (深圳市明源眾碩投資合夥企業(有限合夥)), Shenzhen Mingyuan Juchuang Investment Partnership (Limited Partnership) (深圳市明源聚創投資合夥企業(有限合夥)) and Shenzhen Mingyuan Huihai Investment Partnership (Limited Partnership) (深圳市明源匯海投資合夥企業(有限合夥)), respectively, at the time of establishment of these 3 shareholding platforms.
- (2) The purpose of establishing these 2 shareholding platforms was to consolidate the equity interests of Mr. Jiang and 37 then shareholders of Ming Yuan Cloud Technology in Ming Yuan Cloud Technology as part of the Reorganization set out in this sub-section. Such consolidation was necessary for the preparation of the transform of Ming Yuan Cloud Technology from a stock corporation (股份有限公司) to limited liability company (有限責任公司) in May 2019 since the maximum shareholders of Ming Yuan Cloud Technology as a limited liability company (有限責任公司) was limited to 50 individuals or entities. For the sake of convenience and administrative purpose, Ming Yuan Cloud Technology classified the relevant shareholders by locations at the time of establishment of these 2 shareholding platforms. Majority of the relevant shareholders working in Shenzhen and Guangzhou were consolidated into Shenzhen Mingyuan Juye Investment Partnership (Limited Partnership) (深圳市明源聚業投資合夥企業(有限合夥)) and the relevant shareholders working in other locations were consolidated into Shenzhen Mingyuan Juxin Investment Partnership (Limited Partnership) (深圳市明源聚鑫投資合夥企業(有限合夥)) at the time of establishment of these 2 shareholding platforms.
- (3) Other shareholders included 18 employees and former employees of our Group and 13 shareholders of our regional channel partners.

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II. Establishment of our Company

Our Company was incorporated in the Cayman Islands on July 3, 2019 as the holding company of our Group. The initial authorised share capital of our Company was HK\$380,000 divided into 380,000,000 shares of HK\$0.001 each and allotted and issued to the following shareholders at par value at the percentages set out in the table below.

| Shareholder ⁽¹⁾ | No. of shares | Shareholding |
|---|--------------------|----------------|
| GHTongRui Investment Limited ⁽²⁾ | 39,552,360 | 32.42% |
| HengXinYuan Investment Limited ⁽³⁾ | 29,664,480 | 24.32% |
| LINGFAN Investment Limited ⁽⁴⁾ | 18,682,660 | 15.31% |
| JIABOSZ Investment Limited ⁽⁵⁾ | 4,832,100 | 3.96% |
| MYC United Power Investment Holdings Limited ⁽⁶⁾⁽¹⁰⁾ | 12,856,280 | 10.54% |
| MYC Brilliant Alliance Investment Holdings Limited ⁽⁷⁾⁽¹⁰⁾ | 10,552,320 | 8.65% |
| MYC Prosperity Investment Holdings Limited ⁽⁸⁾⁽¹⁰⁾ | 1,980,000 | 1.62% |
| MYC Blooming Success Investment Holdings Limited ⁽⁹⁾⁽¹⁰⁾ | 3,870,000 | 3.17% |
| Total | 121,990,200 | 100.00% |

Notes:

- (1) Save for the interests of Mr. Jiang in the 5 shareholding platforms of Ming Yuan Cloud Technology (which were consolidated through the incorporation of LINGFAN Investment Limited as set out in Note (4) below), the Company consolidated the interests of the 5 shareholding platforms and other shareholders of Ming Yuan Cloud Technology as set out in the sub-section above into 4 shareholding platforms of the Company as set out in Notes (6)-(9) below. The reasons for establishing 4 shareholding platforms instead of 1 shareholding platform were (i) for the sake of convenience and administrative purpose, and (ii) due to the consideration of the initial set up costs. The interest of the Dachen Entities in Ming Yuan Cloud Technology was subsequently reflected in the Company as set out in the sub-section headed “VI. Reorganization of the Dachen Entities” in this section.
- (2) 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. The remaining 1% of GHTongRui Investment Limited is indirectly held by Mr. Gao.
- (3) 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. The remaining 1% of HengXinYuan Investment Limited is indirectly held by Mr. Chen.
- (4) 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. The remaining 1% of LINGFAN Investment Limited is indirectly held by Mr. Jiang.

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- (5) JIABAOSZ Investment Limited 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 (as the settlor) with him and his family members being the beneficiaries. The remaining 1% of JIABAOSZ Investment Limited is indirectly held by Mr. Yao. JIABAOSZ Investment Limited is subject to lock-up undertaking for a period of 6 months from the Listing Date.
- (6) MYC United Power Investment Holdings Limited is a shareholding platform held by 37 employees and former employees of our Group (who are not directors or senior management of our Group save for (i) Mr. Wang Jianfeng (王劍峰), a director of Ming Yuan Cloud Client, who held approximately 13.74% of the shares; and (ii) Mr. Tong Jilong (童繼龍), a senior management, who held approximately 5.14% of the shares, in such shareholding platform) as at the Latest Practicable Date. None of the abovementioned employees and former employees of our Group is interested in 30% or more of the shares of such shareholding platform.
- (7) MYC Brilliant Alliance Investment Holdings Limited is a shareholding platform held by 22 employees and former employees of our Group (who are not directors or senior management of our Group save for Mr. Jiang Keyang (蔣科陽), our executive Director, who held approximately 4.2% of the shares in MYC Brilliant Alliance Investment Holdings Limited) and 13 shareholders of our regional channel partners who are not current employee of our Group as at the Latest Practicable Date. Save for holding certain interests in MYC Brilliant Alliance Investment Holdings Limited and that one of the shareholders of our regional channel partners was our former employee, none of the abovementioned shareholders of our regional channel partners had any material relationship with our Group as at the Latest Practicable Date. None of the abovementioned employees and former employees of our Group and shareholders of our regional channel partners is interested in 30% or more of the shares of such shareholding platform.
- (8) MYC Prosperity Investment Holdings Limited is a shareholding platform held by 37 employees of our Group (who are not directors or senior management of our Group) as at the Latest Practicable Date. None of the abovementioned employees of our Group is interested in 30% or more of the shares of such shareholding platform.
- (9) MYC Blooming Success Investment Holdings Limited is a shareholding platform held by 31 employees and 1 successor of a former employee of our Group (who are not directors or senior management of our Group) as at the Latest Practicable Date. None of the abovementioned employees and successor of former employee of our Group is interested in 30% or more of the shares of such shareholding platform.
- (10) Mr. Gao acts as the sole director of these shareholding platforms. According to the articles of association of such shareholding platforms, the board of directors has all the powers necessary for managing, and for directing and supervising, their business and affairs. The director may however be removed from office, with or without cause, by ordinary resolution of members. Mr. Gao is not deemed to be interest in the Shares held by such shareholding platforms given (i) such shareholding platforms are not accustomed or obliged to act in accordance with his directions or instructions because he does not have the right to control the composition the board of directors pursuant to the articles of association of such shareholding platforms; and (ii) Mr. Gao is not entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of such shareholding platforms. The shareholders of these shareholding platforms are subject to certain lock-up undertakings for periods of 6, 12 or 36 months from the Listing Date.

III. Establishment of Ming Yuan Cloud Investment Limited and Polaris Cloud Technology Limited (北極星雲科技有限公司)

On July 10, 2019, Ming Yuan Cloud Investment Limited (“**Ming Yuan Cloud Investment**”) was incorporated in the BVI. It was authorized to issue up to a maximum of 50,000 ordinary shares of a single class with par value of US\$0.01 each, of which 1 share was allotted and issued to our Company. Ming Yuan Cloud Investment is a wholly-owned subsidiary of our Company.

On July 22, 2019, Polaris Cloud Technology Limited (北極星雲科技有限公司) (“**Polaris Cloud**”) was incorporated in Hong Kong. It issued and allotted a total of 10,000 shares to Ming Yuan Cloud Investment. Polaris Cloud is a wholly-owned subsidiary of Ming Yuan Cloud Investment, and an indirect wholly-owned subsidiary of our Company.

IV. Viscount Dazzle Limited’s Investment

On July 19, 2019, Viscount Dazzle Limited (“**Viscount Dazzle**”), a wholly-owned subsidiary of EARL DAZZLE LIMITED (“**Earl Dazzle**”) which was in turn wholly-owned by PROFITECH INVESTMENTS LIMITED (“**Profitech Investments**”) prior to the Earl Dazzle Acquisition (as defined below), subscribed for RMB7,009,737 additional registered capital of Ming Yuan Cloud Technology at an aggregate consideration of US\$2,120,840.20. Immediately following the capital increase, Viscount Dazzle owned 5% of the equity interests in Ming Yuan Cloud Technology, and Ming Yuan Cloud Technology was converted from a domestic capital company to a Sino-foreign joint venture company.

V. Transfer of Ming Yuan Cloud Technology

On September 6, 2019, Polaris Cloud established Shenzhen Northern Lights Cloud Technology Co., Ltd. (深圳市北極光雲科技有限公司) (“**Northern Lights Cloud**”) in the PRC with a registered share capital of US\$38,500,000. Northern Lights Cloud is a wholly-owned subsidiary of Polaris Cloud and an indirect wholly-owned subsidiary of our Company.

On October 9, 2019, save for Viscount Dazzle, all the then shareholders of Ming Yuan Cloud Technology, including Mr. Gao, Mr. Chen, Mr. Jiang, Mr. Yao, the Dachen Entities, Shenzhen Mingyuan Zhongshuo Investment Partnership (Limited Partnership) (深圳市明源眾碩投資合夥企業(有限合夥)), Shenzhen Mingyuan Huihai Investment Partnership (Limited Partnership) (深圳市明源匯海投資合夥企業(有限合夥)), Shenzhen Mingyuan Juchuang Investment Partnership (Limited Partnership) (深圳市明源聚創投資合夥企業(有限合夥)), Shenzhen Mingyuan Juye Investment Partnership (Limited Partnership) (深圳市明源聚業投資合夥企業(有限合夥)) and Shenzhen Mingyuan Juxin Investment Partnership (Limited Partnership) (深圳市明源聚鑫投資合夥企業(有限合夥)) and 31 other shareholders (who are our employees, our former employees and shareholders of our regional channel partners), transferred an aggregate of RMB133,185,000 registered capital of Ming Yuan Cloud Technology to Northern Lights Cloud at a consideration of RMB266,370,000, which was determined based on the net asset value per share of all shareholders’ equity as of January 31, 2019. Immediately following the transfer, Ming Yuan Cloud Technology was owned as to 95% and 5% by Northern Lights Cloud and Viscount Dazzle, respectively. The consideration was fully settled on December 2, 2019.

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On October 30, 2019, our Company acquired all the issued shares in Earl Dazzle from Profitech Investments at a total consideration of US\$2,120,840.20 (“**Earl Dazzle Acquisition**”). Immediately following the Earl Dazzle Acquisition, Ming Yuan Cloud Technology became an indirect wholly-owned subsidiary of our Company.

VI. Reorganization of the Dachen Entities

Prior to the Reorganization, Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)) (“**Dachen Chuangshi**”), Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)) (“**Dachen Shengshi**”) and Ming Yuan Cloud Technology entered into a capital increase agreement on July 26, 2010, pursuant to which Dachen Chuangshi and Dachen Shengshi subscribed for approximately 3.75% and 3.26% of the equity interests of Ming Yuan Cloud Technology at a consideration of RMB10,700,000 and RMB9,300,000, respectively. The subscription was completed on August 6, 2010. Furthermore, Shenzhen Dachen Caizhi Venture Capital Investment Management Limited (深圳市達晨財智創業投資管理有限公司) entered into a share transfer agreement on June 19, 2013 to acquire approximately 2.32% of the equity interests in Ming Yuan Cloud Technology. The share transfer was completed on August 29, 2013.

As part of the Reorganization, the interest of the Dachen Entities in Ming Yuan Cloud Technology abovementioned was converted into ordinary shares of our Company, accordingly our Company allotted and issued 11,194,800 ordinary shares to Beijing Chenchuang (the affiliate of the Dachen Entities designated by them to subscribe for their relevant interests in our Company), which was completed on March 30, 2020. Immediately following such issuance, Beijing Chenchuang is interested in approximately 7.48% of the share capital of our Company (assuming that all of the Series A Preferred Share have been converted into ordinary shares of our Company on a 1:1 basis).

VII. Share Incentive Plan

On March 29, 2020, our Company adopted the Share Incentive Plan in order to motivate, attract and encourage certain officers, managers, employees, directors and other eligible persons. The principal terms of the Share Incentive Plan are set out in the section headed “Appendix IV. Statutory and General Information – D. Share Incentive Plan.” Pursuant to the Share Incentive Plan, the maximum number of Shares in respect of which awards may be granted shall not exceed 7,484,080 Shares (prior to the Share Subdivision). On March 30, 2020, 7,484,080 Shares (74,840,800 Share following the Share Subdivision) were issued to MYC Marvellous Limited as reserve for grant or vesting of awards under the Share Incentive Plan. MYC Marvellous Limited is a special purpose vehicle wholly owned by MYC Fortune Trust, of which the trustee is TMF Trust (HK) Limited, established for the purpose of holding Shares pursuant to the Share Incentive Plan. As at the Latest Practicable Date, an aggregate of 21,100,000 outstanding RSUs in respect of 21,100,000 Shares have been granted to 40 employees of our Group pursuant to the Share Incentive Plan.

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VIII. Contractual Arrangements in respect of Ming Yuan Cloud Procurement

Ming Yuan Cloud Procurement is principally engaged in the operation of a procurement and supply chain management platform, which involves the provision of procurement information for property developers, construction materials suppliers and other service vendors. Prior to the Reorganization, Ming Yuan Cloud Procurement was a 80%-owned subsidiary of Ming Yuan Cloud Technology, and the remaining 20% equity interests were held by Shenzhen Mingyuan Cloud Century Investment Partnership (Limited Partnership) (深圳市明源雲世紀投資合夥企業(有限合夥)), which was a shareholding platform held by 17 employees of our Group and Ming Yuan Cloud Calculation acted as the general partner immediately prior to the Reorganization.

As part of the Reorganization, Shenzhen Mingyuan Cloud Century Investment Partnership (Limited Partnership) (深圳市明源雲世紀投資合夥企業(有限合夥)) transferred 20% equity interests in Ming Yuan Cloud Procurement to Shenzhen Mingyuan Cloud Tai Qi Investment Partnership (Limited Partnership) (深圳市明源雲泰啟投資合夥企業(有限合夥)) (“**Ming Yuan Cloud Tai Qi**”) on December 12, 2019 and Ming Yuan Cloud Technology transferred approximately 36.0%, 27.2% and 16.8% equity interests in Ming Yuan Cloud Procurement to Mr. Gao, Mr. Chen and Mr. Jiang, respectively, on April 17, 2019. On December 16, 2019, Ming Yuan Cloud Technology entered into the Contractual Arrangements with Ming Yuan Cloud Procurement and the Relevant Shareholders. Through the Contractual Arrangements, Ming Yuan Cloud Technology is able to exercise control over the operations of, and enjoy 80% of the economic benefits of, Ming Yuan Cloud Procurement. See the section headed “Contractual Arrangements” in this prospectus for details of the Contractual Arrangements.

IX. Share Subdivision

On March 29, 2020, our shareholders resolved, among other things, that each issued and unissued ordinary share and Series A Preferred Shares then of HK\$0.001 par value each would be subdivided into 10 Shares of HK\$0.0001 par value each with effect from March 31, 2020.

As a consequence of this, the authorised share capital of our Company was changed to HK\$380,000 divided into 3,800,000,000 shares of HK\$0.0001 each, of which 1,406,690,800 ordinary shares and 90,125,190 Series A Preferred Shares are issued and fully paid up as at the Latest Practicable Date.

PRE-IPO INVESTMENTS

Profitech Investments

On October 15, 2019, our Company and Profitech Investments, the sole shareholder of Earl Dazzle prior to the Earl Dazzle Acquisition, entered into a subscription agreement (the “**Subscription Agreement**”) pursuant to which Profitech Investments agreed to subscribe for a total of 7,009,737 Series A Preferred Shares in our Company at a total consideration of US\$35,000,000. The subscription was completed on October 25, 2019 and the total amount paid by Profitech Investments to our Company was US\$32,879,159.80, being the difference between the consideration of this subscription and the consideration of the Earl Dazzle Acquisition. Such consideration was fully paid up on November 19, 2019.

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Glodon

On October 15, 2019, Glodon (Hongkong) Software Limited (“**Glodon**”) also entered into the Subscription Agreement pursuant to which it agreed to subscribe for a total of 2,002,782 Series A Preferred Shares in our Company at a total consideration of US\$10,000,000. The subscription was completed on October 25, 2019 and the total consideration was fully paid up on December 20, 2019.

Each Series A Preferred Share will be converted into ordinary share at the conversion ratio of 1:1 by way of redesignation immediately prior to the completion of the Global Offering.

The below table is a summary of the capitalization of our Company after completion of the Pre-IPO Investments and the Reorganization:

| Shareholders | Ordinary Shares | Series A Preferred Shares ⁽¹¹⁾ | Shareholding immediately upon completion of the Pre-IPO Investments and the Reorganization |
|--|----------------------|---|---|
| GHTongRui Investment Limited ⁽¹⁾ | 395,523,600 | – | 26.42% |
| HengXinYuan Investment Limited ⁽²⁾ | 296,644,800 | – | 19.82% |
| LINGFAN Investment Limited ⁽³⁾ | 186,826,600 | – | 12.48% |
| JIABAOSZ Investment Limited ⁽⁴⁾ | 48,321,000 | – | 3.23% |
| MYC United Power Investment Holdings Limited ⁽⁵⁾⁽¹⁰⁾ | 128,562,800 | – | 8.59% |
| MYC Brilliant Alliance Investment Holdings Limited ⁽⁶⁾⁽¹⁰⁾ | 105,523,200 | – | 7.05% |
| MYC Prosperity Investment Holdings Limited ⁽⁷⁾⁽¹⁰⁾ | 19,800,000 | – | 1.32% |
| MYC Blooming Success Investment Holdings Limited ⁽⁸⁾⁽¹⁰⁾ | 38,700,000 | – | 2.59% |
| Beijing Chenchuang | 111,948,000 | – | 7.48% |
| MYC Marvellous Limited ⁽⁹⁾ | 74,840,800 | – | 5.00% |
| Profitech Investments | – | 70,097,370 | 4.68% |
| Glodon | – | 20,027,820 | 1.34% |
| Total | 1,406,690,800 | 90,125,190 | 100.00% |

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Notes:

- (1) GHTongRui Investment Limited is 99% held by MYTongRui Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Gao (as the settlor) with him and his family members being the beneficiaries. The remaining 1% of GHTongRui Investment Limited is indirectly held by Mr. Gao.
- (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. The remaining 1% of HengXinYuan Investment Limited is indirectly held by Mr. Chen.
- (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. The remaining 1% of LINGFAN Investment Limited is indirectly held by Mr. Jiang.
- (4) JIABAOSZ Investment Limited 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 (as the settlor) with him and his family members being the beneficiaries. The remaining 1% of JIABAOSZ Investment Limited is indirectly held by Mr. Yao.
- (5) MYC United Power Investment Holdings Limited is a shareholding platform held by 37 employees and former employees of our Group (who are not directors or senior management of our Group save for (i) Mr. Wang Jianfeng (王劍峰), a director of Ming Yuan Cloud Client, who held approximately 13.74% of the shares; and (ii) Mr. Tong Jilong (童繼龍), a senior management, who held approximately 5.14% of the shares, in such shareholding platform) as at the Latest Practicable Date. None of the abovementioned employees and former employees of our Group is interested in 30% or more of the shares of such shareholding platform.
- (6) MYC Brilliant Alliance Investment Holdings Limited is a shareholding platform held by 22 employees and former employees of our Group (who are not directors or senior management of our Group save for Mr. Jiang Keyang (蔣科陽), our executive Director, who held approximately 4.2% of the shares in MYC Brilliant Alliance Investment Holdings Limited) and 13 shareholders of our regional channel partners who are not current employee of our Group as at the Latest Practicable Date. Save for holding certain interests in MYC Brilliant Alliance Investment Holdings Limited and that one of the shareholders of our regional channel partners was our former employee, none of the abovementioned shareholders of our regional channel partners had any material relationship with our Group as at the Latest Practicable Date. None of the abovementioned employees and former employees of our Group and shareholders of our regional channel partners is interested in 30% or more of the shares of such shareholding platform.
- (7) MYC Prosperity Investment Holdings Limited is a shareholding platform held by 37 employees of our Group (who are not directors or senior management of our Group) as at the Latest Practicable Date. None of the abovementioned employees of our Group is interested in 30% or more of the shares of such shareholding platform.
- (8) MYC Blooming Success Investment Holdings Limited is a shareholding platform held by 31 employees and 1 successor of a former employee of our Group (who are not directors or senior management of our Group) as at the Latest Practicable Date. None of the abovementioned employees and successor of former employee of our Group is interested in 30% or more of the shares of such shareholding platform.
- (9) MYC Marvellous Limited held 74,840,800 Share as reserve for grant or vesting of awards under the Share Incentive Plan.
- (10) Mr. Gao acts as the sole director of these shareholding platforms. According to the articles of association of such shareholding platforms, the board of directors has all the powers necessary for managing, and for directing and supervising, their business and affairs. The director may however be removed from office, with or without cause, by ordinary resolution of members. Mr. Gao is not deemed to be interest in the Shares held by such shareholding platforms given (i) such shareholding platforms are not accustomed or obliged to act in accordance with his directions or instructions because he does not have

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the right to control the composition the board of directors pursuant to the articles of association of such shareholding platforms; and (ii) Mr. Gao is not entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of such shareholding platforms.

- (11) The Pre-IPO Investors were granted the right to require our Company to redeem all or a portion of the Series A Preferred Shares they held if the Listing is not consummated on or prior to December 31, 2022. As at the Latest Practicable Date, none of the Pre-IPO Investors had exercised such right.

Information about the Pre-IPO Investors

Profitech Investments, an Independent Third Party, is a company incorporated in the British Virgin Islands and is a special purpose vehicle established for the purpose of investing in our Group. As at the Latest Practicable Date, Profitech Investments was owned as to 50% and 50% by Forebright New Opportunities Fund, L.P. and Forebright New Opportunities Fund II, L.P. The general partners of Forebright New Opportunities Fund, L.P. and Forebright New Opportunities Fund II, L.P. are FNOF GP Limited and FNOF GP II Limited, respectively, which are wholly-owned by Forebright Global Limited (together with FNOF GP Limited and FNOF GP II Limited, “**Forebright Global**”), a limited liability company incorporated in the British Virgin Islands on November 14, 2016. Forebright Global is a shareholding platform which holds funds with a total investment size of approximately US\$700 million and focus on investment opportunities in China in the fields of business services, high-end manufacturing and healthcare. The ultimate beneficial owners of Forebright Global are Mr. Ip Kun Wan and Mr. Liu Cheng who hold approximately 41.4% and 58.6% of its interests, respectively, and are Independent Third Parties.

Glodon, an Independent Third Party, is a company incorporated in Hong Kong, and a foreign investment platform of Glodon Company Limited (廣聯達科技股份有限公司), an A-share company listed on the Shenzhen Stock Exchange (Stock Code: 002410). As at the Latest Practicable Date, Glodon was wholly-owned by Glodon Company Limited. Glodon Company Limited is principally engaged in the development and sale of softwares. According to the annual report of Glodon Company Limited published in March 2020, Mr. Diao Zhizhong (刁志中) was interested in Glodon Company Limited as to approximately 17.28% and is disclosed as the controlling shareholder of Glodon Company Limited in such annual report.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Principal Terms of the Pre-IPO Investments

| | | |
|--|---|---------------------------|
| Names of investors | Profitech Investments | Glodon |
| Date on which the investment was fully settled | November 19, 2019 | December 20, 2019 |
| Cost per share paid | US\$4.993055 | US\$4.993055 |
| Total consideration | US\$35,000,000 | US\$10,000,000 |
| Discount to the Offer Price⁽¹⁾ | approximately 75.43% | approximately 75.43% |
| Type of shares purchased | Series A Preferred Shares | Series A Preferred Shares |
| Number of shares purchased (prior to the Share Subdivision) | 7,009,737 | 2,002,782 |
| Basis of determination of the consideration | The consideration was determined based on arm's length negotiation between the Pre-IPO Investors and our Group in early 2019 with reference to Ming Yuan Cloud Technology's business scale and financial performance in 2018. | |
| Use of proceeds from the Pre-IPO Investments | We utilized the proceeds for our Group's Reorganization, business expansion and general working capital purposes. As of the Latest Practicable Date, approximately 35% of the net proceeds from the Pre-IPO Investments had not yet been utilized which are expected to be fully utilized in the next 12-36 months. | |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Strategic benefits that the Pre-IPO Investors will bring to our Group

At the time of the Pre-IPO Investments, our Group was of the view that we could benefit from the additional capital that would be provided by the Pre-IPO Investors to support our continuing development growth and we could take advantage of their knowledge and experience. In particular, with the established network of Forebright Global as an experienced investor, we could benefit from such commitment as we believe the investment demonstrates their confidence in the operations of our Group and serves as an endorsement of our Group's performance, strength and prospects. Furthermore, we will cooperate strategically with Glodon Company Limited, a reputable China-based A-share software company engaging in, among others, engineering construction business, in various areas such as products, markets, sales and marketing channels and data to facilitate the businesses of property developers and construction materials suppliers. We will also explore the opportunity for cooperation and integration of certain of our businesses with Glodon Company Limited and further promote the digitalization of business operations under the property development and construction sectors, which we expect to bring strategic benefits for the development and expansion of our Group.

Note:

- (1) The consideration was determined based on arm's length negotiation between the Pre-IPO Investors and our Group in early 2019 with reference to Ming Yuan Cloud Technology's business scale and financial performance in 2018. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$15.75 per Share (being the mid-point of the indicative Offer Price range of HK\$15.00 to HK\$16.50, and taking into account the Share Subdivision. The foregoing price range has taken various factors including the recent market condition, liquidity premium after the Listing, valuation level of the listed comparable peers and the current business scale of the Group, into account.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Special rights

The Pre-IPO Investors have been granted special rights under a shareholders agreement dated October 25, 2019, such as information rights, right to elect directors, right of first refusal and participation right. These rights shall be automatically terminated upon the completion of the Global Offering.

Public Float

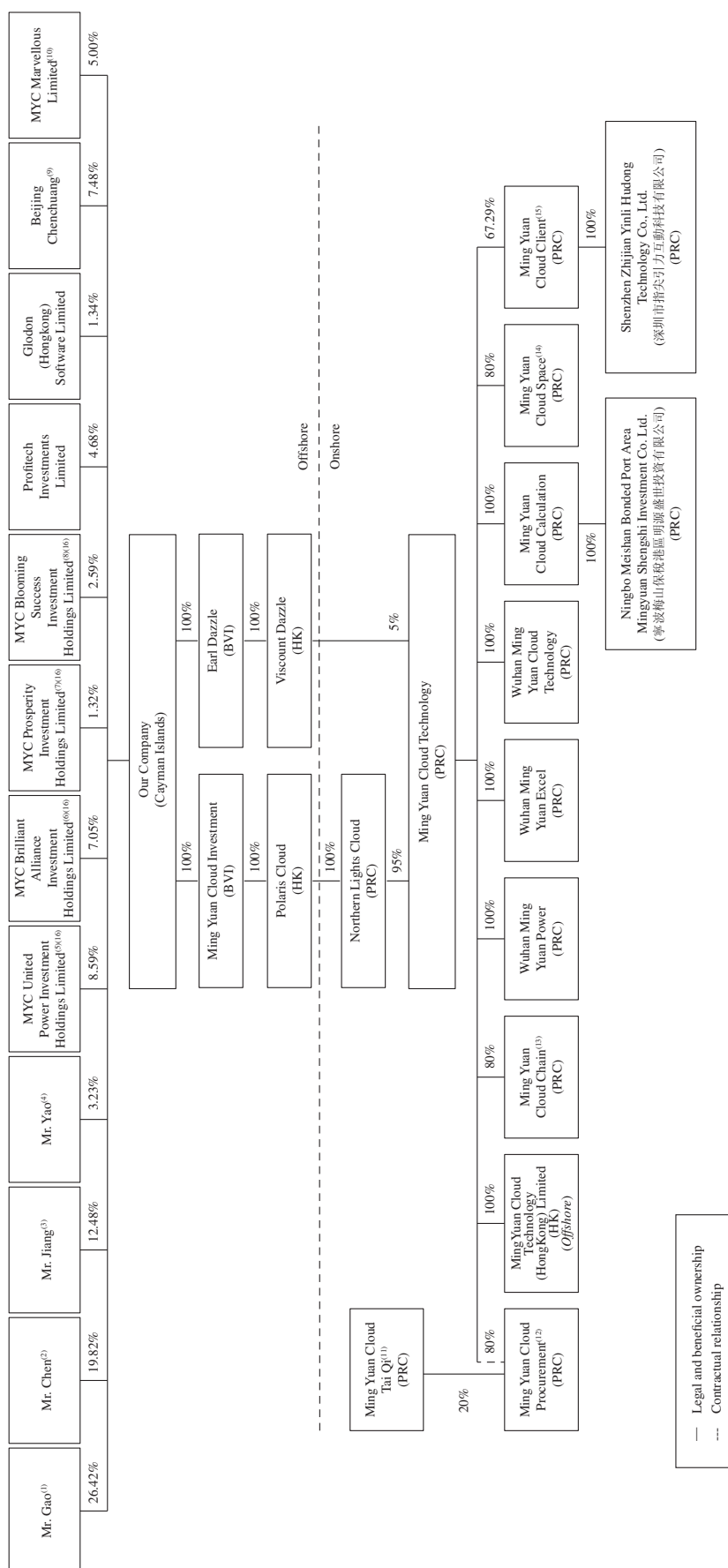
As neither of the Pre-IPO Investors will be a substantial shareholder of our Company upon Listing, all the shares held by the Pre-IPO Investors mentioned above will constitute part of the public float for the purpose of Rule 8.08 of the Listing Rules.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganisation but prior to the Global Offering, assuming that all of the Series A Preferred Share have been converted into ordinary Shares of our Company on a 1:1 basis.



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

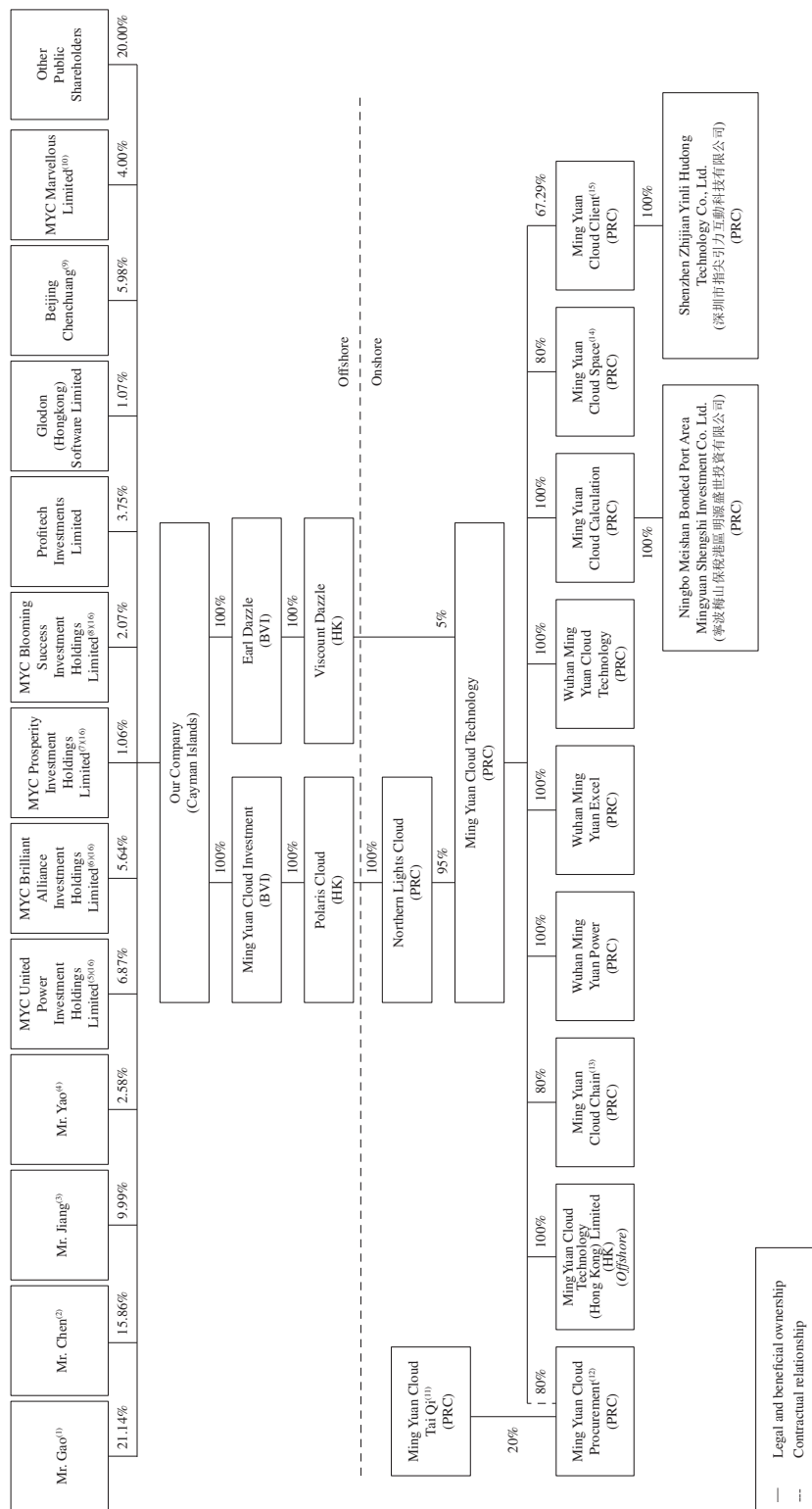
- (1) Mr. Gao's interest in our Company is held through GHTongRui Investment Limited, which is the direct beneficial owner of the Shares. GHTongRui Investment Limited is held as to 99% and 1% by MYTongRui Holdings Limited and GHTongRui Holdings Limited, respectively. MYTongRui Holdings Limited is wholly-owned 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 and GHTongRui Holdings Limited is directly wholly-owned by Mr. Gao.
- (2) Mr. Chen's interest in our Company is held through HengXinYuan Investment Limited, which is the direct beneficial owner of the Shares. HengXinYuan Investment Limited is held as to 99% and 1% by SunshineMorning Holdings Limited and HengXinYuan Holdings Limited, respectively. SunshineMorning Holdings Limited is 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 and HengXinYuan Holdings Limited is directly wholly-owned by Mr. Chen.
- (3) Mr. Jiang's interest in our Company is held through LINGFAN Investment Limited, which is the direct beneficial owner of the Shares. LINGFAN Investment Limited is held as to 99% and 1% by Mindfree Holdings Limited and BANGZHEN Holdings Limited, respectively. Mindfree Holdings Limited is 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 and BANGZHEN Holdings Limited is directly wholly-owned by Mr. Jiang.
- (4) Mr. Yao's interest in the Company is held through JIABAOSZ Investment Limited, which is the direct beneficial owner of the Shares. JIABAOSZ Investment Limited is held as to 99% and 1% by JINBAOSZ Holdings Limited and JIABAOSZ Holdings Limited, respectively. JINBAOSZ Holdings Limited is wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Yao (as the settlor) with him and his family members being the beneficiaries and JIABAOSZ Holdings Limited is directly wholly-owned by Mr. Yao.
- (5) MYC United Power Investment Holdings Limited is a shareholding platform held by 37 employees and former employees of our Group (who are not directors or senior management of our Group save for (i) Mr. Wang Jianfeng (王劍峰), a director of Ming Yuan Cloud Client, who held approximately 13.74% of the shares; and (ii) Mr. Tong Jilong (童繼龍), a senior management, who held approximately 5.14% of the shares, in such shareholding platform) as at the Latest Practicable Date. None of the abovementioned employees and former employees of our Group is interested in 30% or more of the shares of such shareholding platform.
- (6) MYC Brilliant Alliance Investment Holdings Limited is a shareholding platform held by 22 employees and former employees of our Group (who are not directors or senior management of our Group save for Mr. Jiang Keyang (蔣科陽), our executive Director, who held approximately 4.2% of the shares in MYC Brilliant Alliance Investment Holdings Limited) and 13 shareholders of our regional channel partners who are not current employee of our Group as at the Latest Practicable Date. Save for holding certain interests in MYC Brilliant Alliance Investment Holdings Limited and that one of the shareholders of our regional channel partners was our former employee, none of the abovementioned shareholders of our regional channel partners had any material relationship with our Group as at the Latest Practicable Date. None of the abovementioned employees and former employees of our Group and shareholders of our regional channel partners is interested in 30% or more of the shares of such shareholding platform.
- (7) MYC Prosperity Investment Holdings Limited is a shareholding platform held by 37 employees of our Group (who are not directors or senior management of our Group) as at the Latest Practicable Date. None of the abovementioned employees of our Group is interested in 30% or more of the shares of such shareholding platform.
- (8) MYC Blooming Success Investment Holdings Limited is a shareholding platform held by 31 employees and 1 successor of a former employee of our Group (who are not directors or senior management of our Group) as at the Latest Practicable Date. None of the abovementioned employees and successor of former employee of our Group is interested in 30% or more of the shares of such shareholding platform.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (9) Beijing Chenchuang is held by the Dachen Entities, namely Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)) (a private investment fund registered in the PRC), Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)) (a private investment fund registered in the PRC) and Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) (a private fund manager registered in the PRC), who are Independent Third Parties, as to approximately 39.59%, 34.41% and 26.01%, respectively, and that (i) Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)) is held by 36 entities and individuals who are Independent Third Parties to the best knowledge of the Directors with the largest shareholder interested in approximately 7% of the interests as at the Latest Practicable Date; (ii) Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)) is held by 37 entities and individuals who are Independent Third Parties to the best knowledge of the Directors with the largest shareholder interested in approximately 17% of the interests as at the Latest Practicable Date; (iii) Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) is held by 14 entities and individuals who are Independent Third Parties to the best knowledge of the Directors save for Mr. Liang Guozhi (梁國智), our non-executive Director, is interested in 1.5% of the interests. Mr. Liang has no interest in any other entities directly or indirectly interested in the Dachen Entities. The largest shareholder of Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) is Shenzhen Dachen Venture Capital Co., Ltd. (深圳市達晨創業投資有限公司) interested in 35% of the interests as at the Latest Practicable Date. Shenzhen Dachen Venture Capital Co., Ltd. (深圳市達晨創業投資有限公司) is held as to 75% and 25 % by Hunan Tv & Broadcast Intermediary Co., Ltd. (湖南電廣傳媒股份有限公司) and Shanghai Xiquan Industry Co., Ltd. (上海錫泉實業有限公司) respectively. Hunan Tv & Broadcast Intermediary Co., Ltd. (湖南電廣傳媒股份有限公司) is a company engaging principally in the planning, production, advertising agency and releasing of advertisements, and cable network business, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000917).
- (10) MYC Marvellous Limited held 74,840,800 Share as reserve for grant or vesting of awards under the Share Incentive Plan.
- (11) Ming Yuan Cloud Tai Qi is a shareholding platform held by 13 employees of our Group as at the Latest Practicable Date.
- (12) The direct registered shareholders of the 80% equity interests in Ming Yuan Cloud Procurement are Mr. Gao, Mr. Chen and Mr. Jiang, who hold 36.0%, 27.2% and 16.8% of the equity interest in Ming Yuan Cloud Procurement, respectively.
- (13) The remaining 20% is held by Shenzhen Mingyuan Cloud Century Investment Partnership (Limited Partnership) (深圳市明源雲世紀投資合夥企業(有限合夥)), which is a shareholding platform held by 21 employees of our Group as at the Latest Practicable Date.
- (14) The remaining 20% is held by Shenzhen Mingyuan Cloud Shengshi Investment Partnership (Limited Partnership) (深圳市明源雲盛世投資合夥企業(有限合夥)) (“**Ming Yuan Cloud Shengshi**”), which is a shareholding platform held by 11 employees of our Group as at the Latest Practicable Date. Prior to the Reorganization, Ming Yuan Cloud Shengshi was wholly-owned by our Group. Subsequent to various transfers of the equity interests of Ming Yuan Cloud Shengshi in May 2019, December 2019 and May 2020, it was held by 11 employees of the Group as at the Latest Practicable Date.
- (15) The remaining equity interests of Ming Yuan Cloud Client were held as to 16.36% by Mr. Yao, 1.40% by Mr. Zeng Weixiong (曾偉雄) (an employee of our Group), 5.61% by Mr. Wang Jianfeng (王劍峰) (an employee of our Group), 2.80% by Jiangsu Run Ye Investment Limited (江蘇潤業投資有限公司) (an Independent Third Party) and 6.54% by Shenzhen Mingyuan Cooperative Investment Partnership (Limited Partnership) (深圳市明源共創投資合夥企業(有限合夥)), being a shareholding platform held by 25 employees of our Group as at the Latest Practicable Date.
- (16) Mr. Gao acts as the sole director of these shareholding platforms. According to the articles of association of such shareholding platforms, the board of directors has all the powers necessary for managing, and for directing and supervising, their business and affairs. The director may however be removed from office, with or without cause, by ordinary resolution of members. Mr. Gao is not deemed to be interested in the Shares held by such shareholding platforms given (i) such shareholding platforms are not accustomed or obliged to act in accordance with his directions or instructions because he does not have the right to control the composition the board of directors pursuant to the articles of association of such shareholding platforms; and (ii) Mr. Gao is not entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of such shareholding platforms.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Global Offering, assuming that all of the Series A Preferred Share have been converted into ordinary Shares of our Company on a 1:1 basis and the Over-allotment Option is not exercised.



Notes (1) to (16): Please refer to the diagram contained under the sub-section headed "Our Structure Immediately Prior to the Global Offering" in this section.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC LEGAL COMPLIANCE

Our PRC Legal Advisor confirmed that (i) the establishment of our subsidiaries in China and their subsequent shareholding changes have complied with the relevant PRC laws and regulations in all material respects; and (ii) the Reorganization has complied with relevant applicable PRC laws and regulations in material respects.

SAFE REGISTRATION

Pursuant to the SAFE Circular No. 37, before a PRC resident contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”), the PRC resident must conduct foreign exchange registration for offshore investment with the local branch of SAFE. Where a significant matter occurs such as a capital increase/decrease or equity transfer/replacement by a domestic resident individual, the foreign exchange modification registration procedure for foreign investment shall be undertaken with the local branch of SAFE in a timely manner. Pursuant to the Circular of SAFE on Further Simplification and Improvement Policies in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**SAFE Circular No. 13**”) issued by SAFE and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of SAFE.

Our PRC Legal Advisor have confirmed that each of Mr. Gao, Mr. Chen, Mr. Jiang, Mr. Yao and other individual shareholders of the offshore holding vehicles holding our Shares as of the date of this prospectus, being PRC residents, has duly registered in respect of his/her investment in our Group in accordance with SAFE Circular No. 37 and SAFE Circular No. 13.

M&A RULES

According to Article 2 of the “Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”) jointly issued by six PRC governmental and regulatory agencies, including MOFCOM and CSRC, which became effective on September 8, 2006 and amended on June 22, 2009, foreign investors should comply with the M&A Rules and other applicable PRC laws and regulations when the foreign investors purchase equity interests in a domestic non-foreign-invested enterprise (“domestic company”) or subscribes for increased capital of a domestic company, thus changing the nature of the domestic company into a foreign-invested enterprise (“merger and acquisition of equity interests”); or when the foreign investors establish a foreign-invested enterprise in the PRC, through which they purchase and operate the assets of a domestic company by agreement; or when foreign investors purchase the assets of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》 (2008)) promulgated by Foreign Investment Department of the Ministry of Commerce (商務部外資司), notwithstanding the fact that (i) the domestic shareholder of the domestic company is connected with the foreign investor or not, (ii) whether the foreign investor is an existing shareholder or a new investor, the M&A Rules shall not apply to the merger and acquisition of equity interests in a foreign-invested enterprise.

On July 19, 2019, Ming Yuan Cloud Technology became a Sino-foreign joint venture. Subsequently, on October 9, 2019, save for Viscount Dazzle, all the then shareholders of Ming Yuan Cloud Technology transferred an aggregate of 133,185,000 shares of Ming Yuan Cloud Technology to Northern Lights Cloud and has since completed relevant registration and filing in accordance with the then applicable provisions and regulations governing changes in equity of foreign-invested enterprises. Please refer to the paragraph headed “History, Reorganization and Corporate Structure – Reorganization – IV. Viscount Dazzle Limited’s Investment” and “V. Transfer of Ming Yuan Cloud Technology” for details. Therefore, our PRC Legal Advisor has advised that the Reorganization of our Group is not subject to the M&A Rules and the Listing of our Company does not require approvals from the CSRC and the MOFCOM under the M&A Rules.

OVERVIEW

Our Company

We provide enterprise-grade ERP solutions and SaaS products to property developers and other industry participants along the real estate value chain in China. We are the No. 1 software solution provider for property developers in China with a market share of 18.5% in terms of revenue in 2019, according to Frost & Sullivan. Within this market, we are also the No. 1 provider of both ERP solutions and SaaS products in terms of revenue, with leading market shares of 16.6% and 23.3%, respectively. Our ERP solutions and SaaS products enable property developers and other real estate industry participants such as construction materials suppliers and property asset management companies to streamline and digitalize their business operations.

Since our founding in 2003, we have been dedicated to driving the digital transformation of China's real estate industry. Through integrating our deep industry expertise with relentless product innovation, we have developed a comprehensive suite of industry-specific ERP solutions and SaaS products for property developers and other real estate industry participants to manage a wide range of business operations, including sales and marketing, procurement, cost management, project management, budgeting, and property asset management.

We have a broad and high-quality customer base with long-term relationships. In 2019, we directly and indirectly served approximately 4,000 paying end group customers, including nearly 3,000 property developers. We directly and indirectly served 99 paying end group customers that were Top 100 property developers in 2019, which collectively contributed 42% of our total revenues in the same year. More than 70 of the Top 100 property developers had used our software solutions for more than five years. 90 of the Top 100 property developers in 2019 used both our ERP solutions and at least one of our SaaS products. We achieved an annual revenue retention rate of 143% and 159% for our product support services and value-added services in connection with our ERP solutions in 2018 and 2019, with respect to the Top 100 property developers who subscribed for such services since 2017 and 2018, respectively. We achieved an annual revenue retention rate of 201% and 138% for our SaaS products in 2018 and 2019, with respect to the Top 100 property developers who subscribed for our SaaS products since 2017 and 2018, respectively. We had a higher annual revenue retention rate for our SaaS products in 2018 primarily because our customer base was relatively small at the initial development stage of our SaaS business. As our SaaS business rapidly ramped up and we continued to generate revenue from an expanding base of new customers, our annual revenue retention rate for our SaaS products decreased in 2019.

At the heart of our offerings is our unwavering commitment to product and technology development so we can build software solutions for China's evolving real estate industry. Our comprehensive software solutions are designed to digitalize essential business operations of our customers and enhance business interactions between our customers and their customers, suppliers and partners. Our cloud-based technologies enable rapid and cost-effective implementation as well as support and customization of our ERP solutions to incorporate the latest technologies and industry practices. Our reliable and mobile-friendly SaaS products enable our customers to rapidly digitalize their business operations and allow us to continuously upgrade our products with new technology without incremental costs to our customers. Through building and offering our proprietary PaaS, we expect to further enhance the development and customization of our SaaS products.

We market and sell our ERP solutions and SaaS products through our own direct sales force comprising of more than 200 employees dedicated to customers in China's tier-1 cities, where leading property developers are headquartered. Our direct sales force has a proven record of attracting and retaining large, national property developers located in most tier-1 cities in China. We leverage our strong, long-time brand reputation among these leading property developers to promote the cross-selling of our diversified product offerings and cooperate with an extensive network of regional channel partners to penetrate into regional markets in a cost-effective manner. As of March 31, 2020, we cooperated with 69 regional channel partners, covering 27 provinces across China. 33 individuals held 30% or more interest as the single largest shareholders in one or more of such 69 regional channel partners as of March 31, 2020. We have a long, stable relationship with these individuals with an average of seven years of cooperation. In terms of our current 69 regional channel partners, we had an average of five years of cooperation as of March 31, 2020.

We achieved strong growth during the Track Record Period. Our total revenues increased at a CAGR of 47.7% from RMB579.6 million in 2017 to RMB1,264.0 million in 2019, and increased from RMB194.8 million for the three months ended March 31, 2019 to RMB253.8 million for the three months ended March 31, 2020. Our gross profit increased at a CAGR of 47.0% from RMB460.3 million in 2017 to RMB994.6 million in 2019, and increased from RMB144.1 million for the three months ended March 31, 2019 to RMB193.3 million for the three months ended March 31, 2020. Our net profit increased at a CAGR of 78.4% from RMB72.8 million in 2017 to RMB231.6 million in 2019, and increased from RMB6.9 million for the three months ended March 31, 2019 to RMB14.7 million for the three months ended March 31, 2020. Our non-IFRS adjusted EBITDA was RMB124.5 million, RMB201.5 million, RMB276.7 million, RMB14.3 million and RMB36.0 million in 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020, respectively. Our non-IFRS adjusted net income was RMB96.3 million, RMB163.0 million, RMB235.9 million, RMB6.9 million and RMB26.5 million in 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020, respectively. See "Financial Information – Non-IFRS Measures" for a complete reconciliation of our non-IFRS measures to their most comparable IFRS measures.

How We Intelligize the Real Estate Value Chain in China

Our Opportunity and Impacts

The real estate market represents the largest asset class in China, which is also associated with significant competition and challenges. We believe that opportunities for companies to compete in this industry are driven not only by the sheer size of the market, but also by their ability to digitalize their business operations through technology and innovation – from building real property to managing property assets, from establishing customer relationships to interacting with suppliers so that better business decisions can be made effectively at a fraction of the cost.

As competition within China's real estate market continues to intensify, all industry participants, particularly property developers, are under pressure to refine their business processes and increase efficiency in order to compete effectively. We believe the limited supply of compelling industry-specific, technology-driven, and comprehensive software solutions in China's real estate industry offers us significant opportunities. According to Frost & Sullivan, the market size of software solutions for the real estate value chain in China grew from approximately RMB7.1 billion in 2015 to RMB17.0 billion in 2019 in terms of total revenue and is expected to further grow at a CAGR of 31.0% from 2019 to 2024, reaching RMB65.5 billion in 2024.

With this significant opportunity, we are striving to become the best developer of industry-specific software solutions, creating value for all participants along the real estate value chain through technology and innovation. In 2019, we directly and indirectly served approximately 4,000 paying end group customers, including nearly 3,000 property developers, covering 99 of the Top 100 property developers. With our long-standing relationships with the leading property developers, who play a pivotal role in China's real estate industry, we believe we can magnify our impact to benefit the entire real estate value chain.

Our Approaches

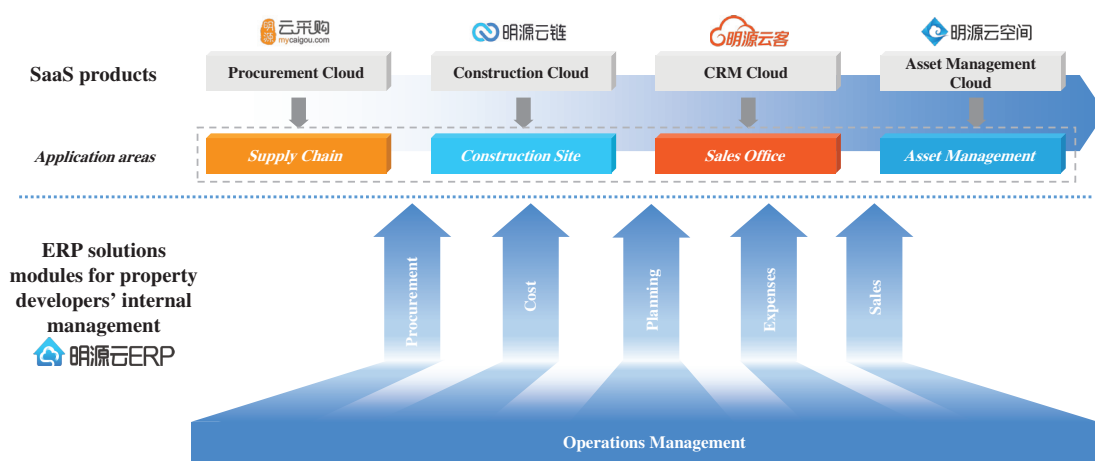
We distinguish ourselves by offering technology-driven, industry-tailored, and holistic and comprehensive software solutions that deliver measurable business results to our customers.

- *Technology-driven:* Leveraging technologies such as AIoT, cloud computing, data analytics and virtual reality, we embed intelligent tools in our diverse portfolio of software solutions and help customers digitalize business functions, optimize business processes via the internet, and obtain actionable data insights.
- *Industry-specific:* With more than 16 years of experience in China's real estate software industry, we design our software solutions based on our extensive industry know-how and deep understanding of industry trends and tailor our solutions to address customers' diverse needs and evolving challenges.
- *Holistic and comprehensive:* We provide one-stop software solutions to drive customer lifetime value through a broad range of ERP solutions and continuously evolving innovative SaaS products covering various players and business scenarios throughout the entire real estate value chain.

Our Offerings

We provide a comprehensive set of industry-specific ERP solutions and SaaS products, both of which can be purchased on a standalone or integrated basis with other solutions. With our ERP open platform and PaaS infrastructure, which allows for strong scalability, connectivity and integration of our software solutions, our ERP solutions and SaaS products enable our customers to operate more efficiently and intelligently both within their enterprises and with their business partners.

The following diagram illustrates our key offerings and the key industry participants that benefit from our offerings. Through our offerings, we are transforming how property developers and other real estate industry participants compete in today's technology-driven real estate market. We have established a strong reputation as a trusted software solution provider driving the development of the real estate value chain.



Our ERP solutions allow property developers to effectively integrate and manage enterprise resources and optimize core business functions including sales and marketing, procurement, cost management, project management, budgeting, and property asset management. In addition to software licensing, we offer implementation services, product support services, and value-added services to deliver an effective integration of our ERP solutions into our customers' own business processes, databases and systems with enhanced performance and customization. The cloud version of our ERP solutions launched in 2017, offers substantial benefits of scalability to our customers, while allowing us to achieve greater implementation flexibility and development efficiency. In 2017, 2018 and 2019 and the three months ended March 31, 2020, we generated revenues from sales of our ERP solutions in the amounts of RMB400.1 million, RMB583.5 million, RMB754.1 million and RMB124.1 million from approximately 900, 1,200, 1,500 and 1,000 paying end group customers, respectively. See “– Our Solutions – Our ERP Solutions” for details.

Our SaaS products help property developers and other real estate industry participants to optimize their procurement, construction, marketing and sales, property asset management and other property related operations. Our SaaS products consist of *CRM Cloud (雲客)*, *Construction Cloud (雲鏈)*, *Procurement Cloud (雲採購)* and *Asset Management Cloud (雲空間)*, catering to the diverse needs of property developers, suppliers, asset managers, property operators, and other industry participants along the real estate value chain. 95, 94, 97 and 94 of the Top 100 property developers subscribed for at least one of our SaaS products in 2017, 2018 and 2019 and the first quarter of 2020, respectively.

- *CRM Cloud (雲客)* is the No. 1 new house sales and marketing and sales office site management tool for property developers in China in terms of both revenue and number of served property sales offices in 2019, according to Frost & Sullivan. It provides property developers with innovative digital marketing and site management tools to generate sales leads, identify prospective property purchasers, facilitate contract execution and deposit payment, and manage the overall operation of their property sales offices. With our *CRM Cloud (雲客)*, property developers are able to enhance their customer acquisition and relationship management capabilities, effectively interact with third-party property sales agents and brokers, and optimize the operation of their property sales offices, which in turn enables property developers to improve sales performance, standardize and streamline the entire sales process, and enhance after-sales engagement with their customers.
- *Construction Cloud (雲鏈)* is a property construction collaboration and project management tool. It offers a comprehensive suite of solutions that allow property developers to manage the entire property development and delivery process online, including construction site management, property inspection, construction contract execution and settlement, and property handover, enhancing the transparency, safety, progress and quality control of complex property construction projects.
- *Procurement Cloud (雲採購)* is a procurement and supply chain management platform that connects property developers and construction materials suppliers and other service vendors and facilitates the complex material procurement and bidding process over the internet, allowing users to reduce transaction costs and improve efficiency and transparency of the procurement process.
- *Asset Management Cloud (雲空間)* is a property asset management support tool for commercial and residential rental properties with respect to property operations, rental management and asset optimization. It enables property developers, asset managers and property operators to digitalize key property operations such as rental and utility payment, optimize asset value by tracking property value changes through a centralized digital database and tools, and effectively managing day-to-day property operations. It also provides actionable data-driven insights for better operational, investment and risk management decision-making.

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The following table summarizes the key differences between the ERP solutions and SaaS products offered by us.

| | ERP Solutions | SaaS products |
|-------------------------------------|--|--|
| Customers | Property developers | Primarily property developers and other participants in the real estate value chain, including but not limited to construction materials suppliers and property asset management companies |
| Positioning | A comprehensive set of software solutions that focus on streamlining and optimizing the internal management of property developers | Scenario-tailored individual products designed to help property developers and other industry participants interact with external parties, such as their customers, suppliers, other service providers and tenants |
| Implementation methods | Physically on-premise or through private cloud infrastructure | Through cloud infrastructure |
| Degree of customization | Typically specifically tailored and configured to meet specific customer demands | Largely standard products with certain degree of customization |
| Fee models | Fixed initial licensing and implementation fees and ongoing product support and value-added service fee | Various fee models including subscription fees, implementation fees, and others, which are typically charged throughout the term of the contract |
| Product support requirements | Ongoing product support required | Relatively less ongoing product support required |

Benefitting from our cloud infrastructure and technology, our SaaS products are effectively integrated with our ERP solutions. For example, property developers can access the integrated databases across both *CRM Cloud (雲客)* and the *Sales Management Solution* of the ERP solutions to obtain integrated data insights that help further enhance the efficiency of their marketing and sales activities. Similarly, our *Construction Cloud (雲鏈)* allows effective integration with the *Cost Control Solution* of the ERP solutions, enabling property developers to optimize cost control in real time. Moreover, through the integration of our *Procurement Cloud (雲採購)* and the *Procurement Management Solution* of the ERP solutions, property developers are able to integrate procurement information collected through both systems to

timely adapt their procurement plans based on changing business needs and market conditions. For details of such effective integration of our ERP solutions and SaaS products, see “– Our Offerings – Our ERP Solutions – Helping Property Developers Run Their Business Optimally – Our Key ERP Solutions.”

In 2017, 2018 and 2019 and the three months ended March 31, 2020, we generated revenues from sales of our SaaS products in the amounts of RMB179.5 million, RMB329.3 million, RMB509.8 million and RMB129.6 million from approximately 1,600, 2,500, 3,600 and 3,100 paying end group customers, respectively. See “– Our Offerings – Our SaaS Products – Delivering Intelligent Solutions to Various Real Estate Industry Participants” for details.

OUR STRENGTHS

The leading software solution provider for property developers in China

We are the No. 1 software solution provider for property developers in China with a market share of 18.5% in terms of total revenue in 2019. In 2019, we served nearly 3,000 property developers covering 99 of the Top 100 property developers. We are also the No. 1 provider of both ERP solutions and SaaS products in terms of total revenue. In 2019, our ERP solutions had served approximately 1,500 paying end group customers, including both leading property developers and fast-growing regional players. Our revenues from SaaS products grew rapidly from RMB179.5 million in 2017 to RMB509.8 million in 2019 at a CAGR of 68.5%, and grew from RMB77.9 million for the three months ended March 31, 2019 to RMB129.6 million for the three months ended March 31, 2020, with our flagship *CRM Cloud* (雲客) empowering over 10,000 property sales offices in China as of March 31, 2020 since our inception. 90 of the Top 100 property developers in 2019 used both our ERP solutions and at least one of our SaaS products.

Unlike generic software solution providers, we have focused exclusively on building software solutions for the real estate industry since our founding in 2003, driving the digital transformation of China’s real estate industry. Through continuous product upgrades and technology developments, our ERP solutions have served a broad base of property developers since its launch in 2006, and become synonymous with the best industry practice according to Frost & Sullivan. In 2017, we introduced our new version of cloud-based ERP solutions to drive its deployment and operational efficiency and enhance customer experience. Since 2014, we have successfully launched various SaaS products by leveraging our technology capabilities and industry know-how. These SaaS products are capable of further empowering our customers in a full spectrum of business scenarios throughout the real estate value chain – from building real property to managing property assets, from interacting with construction materials suppliers and other service vendors to establishing customer relationships.

We are digitalizing the real estate industry in China through combining enterprise-grade, technology-enabled solutions with deep industry insights. This allows us to understand and foresee the complex and specific demands of real estate industry participants and timely and effectively solve their problems left unaddressed by generic software solutions. As a result, we

recorded the No. 1 sales volume in 2019 among all real estate software solution providers even though, according to Frost & Sullivan, the average price of our product offerings was higher than that of the generic software solution providers. Our market leadership has been accredited with numerous awards such as “*China Software Industry Outstanding Solutions*” by China Software Industry Association in 2018. *Ming Yuan Real Estate Research Institute*, our real estate industry knowledge sharing platform founded in 2009, has been widely recognized as a leading source of industry know-how and insights, which also contributed to our reputation as a leading expert in the intersection of real estate business and modern technology. According to Frost & Sullivan, the official Weixin/WeChat account of *Ming Yuan Real Estate Research Institute* was one of the most popular accounts among all real estate related official accounts in 2019 in terms of the number of followers.

Comprehensive, industry-specific solutions with strong growth and monetization capabilities

We offer ERP solutions and a variety of SaaS products that empower the real estate value chain. Our comprehensive offerings help our customers streamline and digitalize various business functions, reduce operating costs, obtain data insights from business operations, make better business decisions, and improve scalability of their businesses. We have been serving the real estate software industry exclusively for over 16 years and our senior management members have an average of 17 years of experience in innovating software solutions specifically for the real estate industry. We design and continuously upgrade our solutions based on our extensive real estate industry expertise and deep insights into industry trends, and incorporated the industry practices learned from serving our customers to continuously upgrade and optimize our solutions.

- Our ERP solutions cover major aspects of a property developer’s critical business functions, including sales and marketing, procurement, cost management, project management, budgeting, and property asset management. Our solutions equip property developers across China with critical knowledge and effective tools to digitalize their business operations and drive efficiency and performance. As our ERP business continues to achieve sustainable growth and profitability at scale, we benefit from the strong revenue stream with high visibility from our ERP solutions due to the ongoing nature of and customers’ reliance on our product support and value-added services. In 2017, 2018 and 2019 and for the three months ended March 31, 2020, we generated revenues from sales of our ERP solutions in the amounts of RMB400.1 million, RMB583.5 million, RMB754.1 million and RMB124.1 million, respectively, with 43.6%, 47.3%, 57.5%, and 62.3% contributed by product support services and value-added services such as customized product development and upgrades.
- Our SaaS products are purpose-built to enable a superior and reliable customer experience across a broad range of business scenarios in the real estate value chain. Through standardized yet effective tools, our SaaS products enable property developers to optimize their procurement, construction, customer relationship

management, and property asset management, significantly increasing transparency, efficiency and performance. Our SaaS business has demonstrated strong growth potentials. In 2017, 2018 and 2019 and for the three months ended March 31, 2020, we generated revenues from sales of our SaaS products in the amounts of RMB179.5 million, RMB329.3 million, RMB509.8 million and RMB129.6 million.

We believe that the combination of our ERP solutions and SaaS products offers us significant growth potentials and competitive edges. By offering comprehensive, industry-specific ERP solutions, we have deepened our relationships with property developers across China and cemented our market leadership. This allows us to benefit from diversified monetization opportunities by offering a variety of SaaS products to property developers and other industry participants in the real estate value chain. The resulting visibility into our future growth has allowed us to invest more in optimizing our offerings to meet customer needs in a way that strengthens their connection and loyalty to us.

A broad and high-quality customer base with long-term relationships

We served a broad, high-quality customer base of approximately 4,000 paying end group customers, including nearly 3,000 property developers in 2019. The total number of our paying end group customers grew from over 2,000 in 2017 to approximately 4,000 in 2019. We served 97, 95, 99 and 97 Top 100 property developers in 2017, 2018 and 2019 and the first quarter of 2020, respectively.

Evolving under intense competition and a changing regulatory landscape, China's real estate market today is characterized by both national property developers and smaller regional players. Despite their different business profiles, all property developers are under pressure to refine their business processes and increase efficiency in order to compete effectively, which creates substantial demand for industry-specific and intelligent software solutions. Through over 16 years of operating history, we have accumulated a deep understanding of the business practices of property developers in China and profound insights into the latest industry trends and developments. This not only enables us to offer a full spectrum of ERP solutions and SaaS products to support our customers' long-term growth but also helps us differentiate ourselves from our competitors and establish substantial entry barriers.

We benefit from high visibility into our future growth due to our long-standing customer relationships and the nature of both of our ERP and SaaS businesses. We directly and indirectly served 99 paying end group customers that were Top 100 property developers in 2019, which collectively contributed 42% of our total revenues in the same year. 90 of the Top 100 property developers in 2019 used both our ERP solutions and at least one of our SaaS products. More than 70 of the Top 100 property developers had used our software solutions for more than five years. We achieved an annual revenue retention rate of 143% and 159% for our product support services and value-added services in connection with our ERP solutions in 2018 and 2019, with respect to the Top 100 property developers who subscribed for such services since 2017 and

2018, respectively. We achieved an annual revenue retention rate of 201% and 138% for our SaaS products in 2018 and 2019, with respect to the Top 100 property developers who subscribed for our SaaS products since 2017 and 2018, respectively.

We value customer feedback as superior customer service is one of our key sales engines. We have designated customer service teams to timely and effectively address various after-sales customer requests in a customized way and drive overall customer satisfaction. With respect to our product support services, the annual customer retention rate of our paying end group customers was 87% in 2019. Our large and growing customer base has also provided us with valuable insights into industry best practices that enable us to better understand customer needs to continuously refine our offerings and improve customer experience.

Effective and long-standing nationwide sales network

We have a highly experienced and effective sales network with nationwide coverage to effectively market and sell our ERP solutions and SaaS products.

- As of March 31, 2020, our direct sales force consisted of more than 200 employees with extensive professional experience and substantial knowledge about our products, technology and the real estate industry. Through continuous high-touch interactions with key decision makers, we have established a proven record of attracting and retaining large, national property developers headquartered in tier-1 cities. In addition, our *Ming Yuan Real Estate Research Institute* has also helped raise our reputation as an industry expert and drive our engagement with leading property developers through its numerous publications and various offline industry events such as our annual *Real Estate Enterprise CEOs Summit*. In 2019, the average sales generated by each of our sales employees was approximately RMB3.0 million.
- Through collaborating with an extensive network of regional channel partners, we have successfully penetrated into regional markets through leveraging our strong brand reputation among leading property developers and the resulting customer referrals. As of March 31, 2020, we cooperated with 69 regional channel partners, covering 27 provinces across China. 33 individuals held 30% or more interest as the single largest shareholders in one or more of such 69 regional channel partners as of March 31, 2020. We have a long, stable relationship with these individuals with an average of seven years of cooperation as of March 31, 2020. In terms of our current 69 regional channel partners, we had an average of five years of cooperation as of March 31, 2020. This approach has proven to be effective as our extensive regional channel partnership enables us to rapidly scale up our presence in regional markets in a cost-effective manner.

To drive sales efficiency and customer experience, we adapt our sales and marketing strategies to respond to customers' organizational priorities, inform their key decision makers, and focus on driving customer experience. This customer-centric, consultative sales philosophy, combined with our leadership in the industry, translates into a highly effective and efficient sales process that leads to a growing, loyal and nationwide customer base with attractive cross-selling opportunities across all of our ERP solutions and SaaS products.

Strong product development and technology capabilities

Product and technology innovation is at the core of our success. When we first set out to build *Ming Yuan Cloud* in 2003, we recognized that the complexity of building, marketing and operating the enormous real estate asset class represented a massive opportunity for technology-driven industry disruption. Since then, we have been driven by an unwavering focus on product and technology development and have become a driving force to the digital transformation of China's real estate industry. Today, our software solutions are built using industry-leading AIoT, cloud computing, data analytics and virtual reality technologies to serve the complex and data-intensive property development and asset management processes.

- Through continuous upgrades and optimization, our industry-specific ERP solutions incorporate the practices of our customers and have been widely adopted by most leading property developers in China. Our ERP solutions enable effective integration with our customers' own database and systems to achieve enhanced performance and customer experience. Since 2017, we have assisted approximately 200 paying end group customers to implement complex system integration. In 2017, we introduced our cloud-based ERP solutions. The cloud nature of our new ERP solutions offers substantial scalability benefits and cost savings to our customers, while allowing us to achieve faster implementation.
- We have been continuously diversifying our SaaS products to cover the essential business scenarios for all industry participants along the real estate value chain. Leveraging our cloud-based, open infrastructure, we have also built our proprietary low-code PaaS platform to allow our customers to efficiently design, build and implement enterprise-grade software applications to achieve optimal operating results and cost efficiency. For example, we had designed 45 different application programming interfaces for our *CRM Cloud* (雲客) as of March 31, 2020, catering to the diverse needs of our customers.

Our proven track record of product and technology innovation is supported by our strong research and development team of 994 employees as of March 31, 2020, representing 38.6% of our total workforce. As of the Latest Practicable Date, we had 211 registered software copyrights relating to our ERP solutions and SaaS products. Our success in product and technology innovation has been recognized through numerous awards and accolades, such as "China Outstanding Software Solutions" by China Software Industry Association in 2018.

Insightful and experienced management team

Our insightful founders, Mr. Gao Yu (高宇), Mr. Chen Xiaohui (陳曉暉) and Mr. Jiang Haiyang (姜海洋), are industry leaders who have been focused on developing intelligent software solutions to real estate industry participants in the past 16 years, pioneering cloud-based ERP solutions and various innovative SaaS products that are specifically designed to serve property developers and other real estate industry participants in China. Under the leadership of our founders and senior management team, we have achieved a preeminent position in market over the years. The entrepreneurship of our leaders has propelled product and technology innovation within our company, leading to the successful development of various innovative SaaS products.

Our senior management team has extensive experience in real estate and software businesses, with an average of 14 years of experience with our company. Mr. Gao Yu (高宇), our co-founder and Chairman of our Board is a seasoned entrepreneur spearheading the strategic planning of our company, with around 20 years of experience in pioneering software solutions for the real estate industry in China. Mr. Chen Xiaohui (陳曉暉), our co-founder and director of our Board, brings his deep expertise in technology and product innovation from his strong technology background, with around 20 years of relevant experience. Mr. Jiang Haiyang (姜海洋), our co-founder and director of our Board, contributes to our day-to-day operational management, with a focus on designing and implementing technology-driven effective sales and marketing efforts. Mr. Jiang has around 20 years of relevant experience in the real estate and technology industries.

Our senior management members have an average of 17 years of experience in innovating software solutions specifically for the real estate industry, bringing a wealth of industry know-how and deep professional experiences in technology, sales and marketing, finance and operation to achieve our long-term success.

OUR STRATEGIES

Continue to invest in and expand our SaaS business along the real estate value chain

We will continue enhancing our SaaS products' capability and performance. With the development of mobile internet and technology, the demand for technology-driven SaaS products of property developers and other real estate industry participants have expanded from internal management to a wider array of specific business scenarios. To capitalize on the growing customer demand for specific solutions, we plan to increase our investment in technology innovations and product development to introduce more SaaS products and functions with attractive monetization potentials to provide one-stop services to our customers.

We plan to attract new customers by increasing investment in the branding and marketing of our SaaS business. In particular, we intend to continue driving the penetration of our SaaS products within our large existing customer base through cross-sales, which we believe will not only drive the growth of our SaaS products in a cost-effective manner but also help strengthen our relationships with such customers and increase their engagement and retention.

We will further expand our customer base and serve more customers along the real estate value chain such as suppliers and property asset management companies by offering them our SaaS products including *Procurement Cloud* (雲採購) and *Asset Management Cloud* (雲空間). Through empowering diverse participants in the industry, we will also be able to enhance our value propositions to our property developer customers and propel the development of the entire industry. In addition, we believe the development of China's real estate investment trusts (REITs) market will provide us with attractive market opportunities to further enhance our *Asset Management Cloud* (雲空間) to develop and offer cloud-based, data-driven property asset management product functions to more institutional customers. Also, with the continuous digital transformation of residential property management, we plan to further upgrade our *Asset Management Cloud* (雲空間) to empower property management companies with enhanced digital tools and functions such as online rental and utility payments, staff scheduling, security inspection, and other smart community services.

Focus on product and technology innovation

Drawing upon our extensive industry experience and know-how, we will continue to deepen our understanding of the evolving trends of China's real estate industry and the business models of various industry participants to develop our products and technologies. We will further apply cutting-edge technologies, including AIoT, cloud computing, data analytics and virtual reality, to expand and enhance the performance of our offerings in different business scenarios and seamlessly integrate technologies and applications developed by our business partners, further driving the digital transformation of China's real estate industry.

For our SaaS business, we will continue to leverage our mobile-friendly, cloud-based and AI technologies to significantly improve the efficiency of developing SaaS applications and better support customization at scale. We believe that an open PaaS infrastructure will help us build a powerful platform-based service model that allows our customers to develop and manage multiple applications with greater flexibility and reduced complexity. We also plan to apply advanced IoT technologies to enhance product functions and deliver a user-friendly customer experiences with our SaaS products such as *CRM Cloud* (雲客).

For our ERP business, we will further enhance the design and configuration of our cloud-based ERP solutions to achieve standardized product delivery and application. In particular, we will continue to invest in cloud-based technologies, data analytics, process customization, and open integration technologies, and integrate them into our ERP solutions to create an open, scalable ERP infrastructure that enables more customization at scale with

minimum costs for our customers. In addition, we will apply various new technologies, such as AI-enabled customer support services, to improve operational efficiency of our product support services to customers of our ERP solutions.

In addition, we plan to leverage our industry know-how to feed more industry-focused data insights into our offerings, with a goal to create a synergetic network effect among our ERP solutions and SaaS products that further drives our customers' strategic developments.

Strengthen sales and marketing to diversify customer base of regional property developers and other participants along the real estate value chain

We aim to leverage our reputation among top property developers and extensive network of regional channel partners to penetrate into regional markets and attract more small- and medium-sized regional property developers to subscribe for our ERP solutions and SaaS products. Among approximately 30,000 small- and medium-sized and regional property developers in China, we had offered services to a small portion of such property developers. Therefore, we believe that we have an enormous growth potential in this market.

In addition, we aim to further penetrate into the upstream and downstream markets of the real estate value chain with our innovative SaaS products, such as *Procurement Cloud* (雲採購) and *Asset Management Cloud* (雲空間), to empower other industry participants along China's real estate value chain.

To achieve these goals, we will continue to invest in our direct sales force and strengthen our network of regional channel partners. In addition, we will continue to improve the service quality and expertise of our sales force and equip our regional channel partners with more marketing, implementation and customer service resources to better attract and serve our customers across the country.

Integrate industry resources to deepen and broaden relationships with leading property developers

With our leading market position and deep industry insights, we will continue to integrate industry technology, human and network resources to enhance our relationships with our customers across China. We aim to further deepen and broaden our relationships with leading property developers in China's top-tier cities to drive long-term customer relationships.

To this end, we aim to continuously leverage our deep industry insights to optimize our products to address evolving customer needs. We also plan to drive spending of major property developers by offering them a comprehensive product portfolio to enable all major aspects of their business operations.

Our focus on delivering customer success is crucial to our ability to establish long-term cooperative relationships with leading property developers. We believe that by delivering measurable business results, we could solidify our strong brand reputation. This in turn could

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help us retain existing customers and promote the wider adoption of our ERP solutions and SaaS products by our customers at lower customer acquisition costs, thereby forming a self-reinforcing virtuous cycle to drive the sustainable growth of our business.

Pursue investment, acquisition and strategic opportunities

We intend to selectively pursue strategic acquisitions and investments and other strategic alliance partnerships that are complementary to our growth strategies, particularly those that can help us enrich our offerings, enhance our technologies and products, and expand our customer base. We believe our extensive industry experience and insights will enable us to identify suitable targets and effectively evaluate and execute potential opportunities. For our invested businesses, we will utilize our resources to help them grow and succeed, with a goal to form sustainable and mutually beneficial relationships with such companies and to jointly intelligize the real estate value chain in the long-run.

OUR OFFERINGS

Through our comprehensive portfolio of ERP solutions and SaaS products, we provide one-stop software solutions to our customers covering the major business scenarios throughout the entire real estate value chain.

Our offerings equip property developers and other real estate industry participants, such as construction materials suppliers and property asset management companies, with a broad range of industry-specific intelligent tools to digitalize and streamline their business operations and optimize their major business processes, including sales and marketing, procurement, cost management, project management, budgeting, and property asset management.

The following table sets forth certain of our key operating metrics for the periods indicated:

| | Year ended December 31, | | | Three months ended |
|--|-------------------------|-------|-------|--------------------|
| | 2017 | 2018 | 2019 | March 31, 2020 |
| Total number of paying end group customers | 2,000 | 3,200 | 4,000 | 3,500 |
| Total number of Top 100 property developers | 97 | 95 | 99 | 97 |
| ERP solutions⁽¹⁾ | | | | |
| Total number of paying end group customers | 900 | 1,200 | 1,500 | 1,000 |
| Total number of Top 100 property developers | 88 | 92 | 92 | 81 |
| SaaS products | | | | |
| Total number of paying end group customers | 1,600 | 2,500 | 3,600 | 3,100 |
| Total number of Top 100 property developers ⁽²⁾ | 95 | 94 | 97 | 94 |

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| | Year ended December 31, | | | Three months ended |
|---|-------------------------|-------|-------|--------------------|
| | 2017 | 2018 | 2019 | March 31, 2020 |
| Number of paying end group customers for <i>CRM Cloud</i> (雲客) | 1,200 | 1,700 | 2,400 | 2,200 |
| Repeated customers ⁽³⁾ for <i>CRM Cloud</i> (雲客) | N/A | 920 | 1,300 | N/A |
| Number of paying end group customers for <i>Construction Cloud</i> (雲鏈)) | 200 | 300 | 400 | 400 |
| Repeated customers ⁽³⁾ for <i>Construction Cloud</i> (雲鏈) | N/A | 140 | 230 | N/A |
| Number of paying end group customers for <i>Procurement Cloud</i> (雲採購) ⁽⁴⁾ | 350 | 750 | 1,100 | 800 |
| Number of paying end group customers for <i>Asset Management Cloud</i> (雲空間) ⁽⁴⁾ | 90 | 140 | 200 | 170 |

Notes:

- (1) ERP solutions are not a subscription-based software solutions. Our end customers for ERP solutions typically purchase the software license of our ERP solutions on a one-time basis, and may continuously use our ERP solutions in accordance with the terms of the license, without paying additional amount to renew the license each year and regardless of whether there is any subsequent transactions with us for our ongoing product support and other services.
- (2) refers to the number of Top 100 property developers who subscribed for at least one of our SaaS products.
- (3) for a given year refers to the number of paying end group customers in the prior year that remain as our paying end group customers in the current year.
- (4) this SaaS product is still at a nascent ramp-up stage without a meaningful track record and sufficiently large customer base to analyze customer retention. This SaaS products only contributed a very small portion of our total SaaS revenues during the Track Record Period.
- (5) unless otherwise indicated, numbers set forth in the table are approximate numbers.

The total number of our paying end group customers grew significantly from 2017 to 2019 as we continued to rapidly scale our business and increase our market shares. Through our profound industry insights, comprehensive offerings and well-regarded customer services, we have been able to maintain a long-term relationship with many of the leading property developers in China. During the Track Record Period, our paying end group customers covered almost all of the Top 100 property developers, and most of our paying end group customers across both ERP solutions and SaaS products are repeated customers.

During the Track Record Period, we generated revenues primarily from providing ERP solutions and SaaS products to our customers in China.

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The following table sets forth our revenues by business segments for the periods indicated.

| | For the year ended December 31, | | | | | | | | | For the three months ended March 31, | | | | | |
|---------------|--|-------|-----|---------|-------|-------|-----------|-------|-------|--------------------------------------|-------|-----|---------|-------|-------|
| | 2017 | | | 2018 | | | 2019 | | | 2019 | | | 2020 | | |
| | YoY | | | YoY | | | YoY | | | (unaudited) | | | PoP | | |
| | Amount | | | Amount | | | Amount | | | Amount | | | Amount | | |
| | % | | | % | | | % | | | % | | | % | | |
| | (RMB in thousands, except percentages) | | | | | | | | | | | | | | |
| SaaS products | 179,491 | 31.0 | N/A | 329,293 | 36.1 | 83.5% | 509,827 | 40.3 | 54.8% | 77,873 | 40.0 | N/A | 129,647 | 51.1 | 66.5% |
| ERP solutions | 400,117 | 69.0 | N/A | 583,502 | 63.9 | 45.8% | 754,142 | 59.7 | 29.2% | 116,965 | 60.0 | N/A | 124,143 | 48.9 | 6.1% |
| Total | 579,608 | 100.0 | N/A | 912,795 | 100.0 | 57.5% | 1,263,969 | 100.0 | 38.5% | 194,838 | 100.0 | N/A | 253,790 | 100.0 | 30.3% |

As of March 31, 2020, the project backlog of our ERP solutions was RMB273,228,000 and the unearned revenue based on our existing subscription of our SaaS products was RMB360,303,000. For further details, see Note 6(a) to the Accountant's Report set out in Appendix I to this prospectus.

Our ERP Solutions – Helping Property Developers Run Their Business Optimally

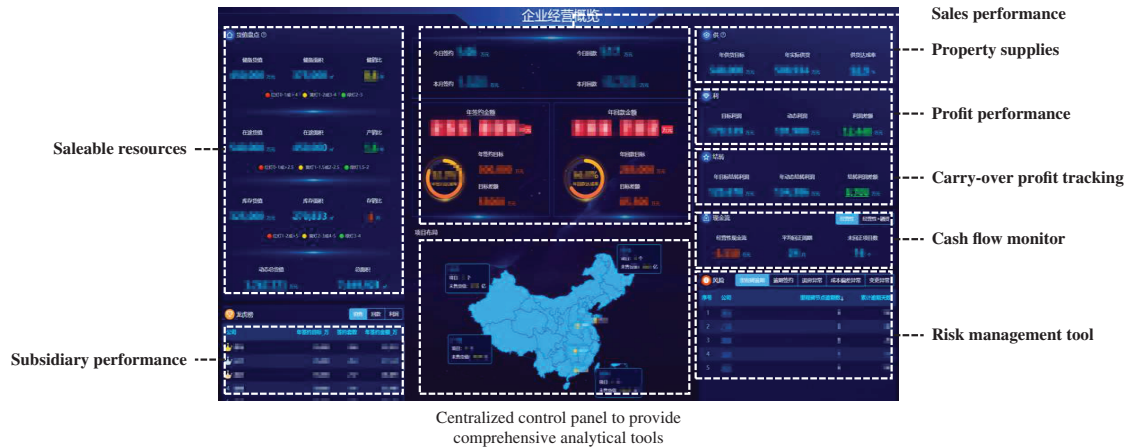
We offer property developers an integrated suite of ERP solutions to manage their business processes across their organizations. Our ERP solutions span a wide array of core business functions including operations management, sales management, cost control, project planning, procurement management, and expenses management. They enable property developers to access and analyze key operational and financial data in real time, offer insights into daily operations, provide holistic and actionable suggestions, and connect business functions and the people within them. By providing immediate access to information at both strategic and granular levels, our ERP solutions empower property developers to act in the moment and to make more informed business decisions. In 2017, 2018 and 2019 and in the first quarter of 2020, we derived revenues from a total number of approximately 900, 1,200, 1,500 and 1,000 paying end group customers for our ERP solutions, respectively, including 88, 92, 92 and 81 of Top 100 property developers during the same periods.

In addition to software licensing, we offer implementation services, product support services and value-added services to property developers. This comprehensive suite of service offerings help ensure an effective integration of our ERP solutions with our customers' own databases and systems to achieve enhanced performance and a bespoke customer experience.

We offer flexible deployment options for our ERP solutions to meet property developers' evolving needs. Our ERP solutions were first offered with on-premise deployment only. In 2017, we introduced a cloud-based version of our ERP solutions where our solutions are hosted and delivered through cloud-based infrastructure of our customers. The cloud nature of our latest ERP solutions offers a scalable open technology platform which allows effective integration of our ERP solutions with our customers' own or third-party applications and

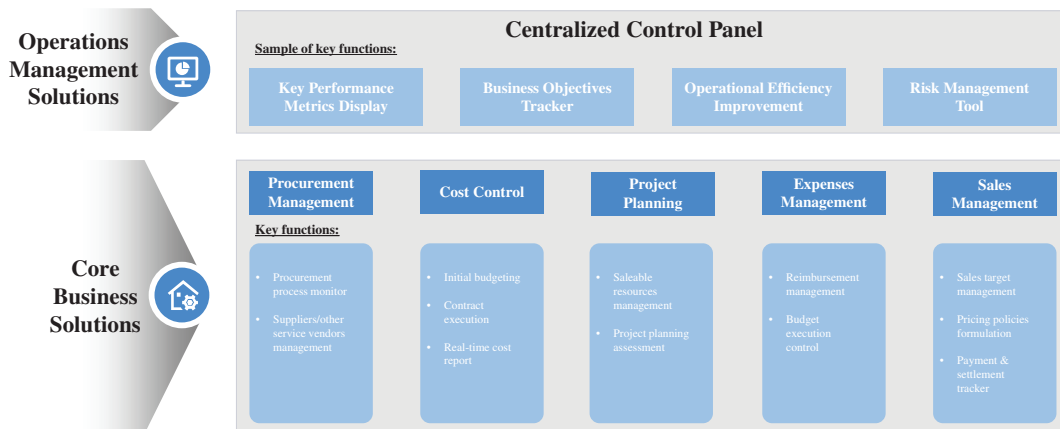
systems to enhance performance. This approach significantly reduces the deployment and ongoing product support costs and frees our customers from the needs to purchase and maintain the associated servers, networks, and security systems that are typically required by on-premise ERP solutions. As a result, we are capable of offering substantial scalability benefits to our customers, while achieving greater implementation flexibility and efficiency.

The following screenshot illustrates the user interface and key functions of our ERP solutions.



Our Key ERP Solutions

The following diagram illustrates the key modules and functions of our ERP solutions, which is followed by and shall be read in conjunction with additional detail about each main module and function as described below.



- Operations Management Solution.** Leveraging data managed across various solutions of our ERP system, we provide senior executives of property developers with a comprehensive management dashboard to monitor their overall business operations holistically, by effectively digitalizing and integrating all core business functions within a centralized control panel. Through offering a wide range of analytical and management tools and actionable data insights, our *Operations*

Management Solution intelligently informs senior executives of key performance metrics, tracks the progress of business objectives, improves operational efficiency and risk management, thereby facilitating decision making and driving the overall performance of their business operations.

- *Procurement Management Solution.* We provide an integrated procurement management solution that allows property developers to monitor and manage the multi-stage bidding and contract execution process, facilitate efficient business cooperation with qualified construction materials suppliers and other service vendors, manage procurement progress in real time, and obtain insights into future procurement needs, thereby reducing procurement costs and associated risks. Through an effective integration of our Procurement Management Solution and *Procurement Cloud* (雲採購), we enable our customers to integrate procurement information collected through both systems to timely adapt procurement plans based on their complex business needs, distinct features of various geographic markets and changing market conditions. For example, whenever a construction material supplier or other service vendor registered on our *Procurement Cloud* (雲採購) or participant in a bidding through our *Procurement Cloud* (雲採購), such information would be automatically integrated to our ERP solutions so as to allow our customers to easily manage supply sources and bidding process.
- *Cost Control Solution.* We provide property developers with a centralized, dynamic cost control system to effectively manage the budget and costs of a real estate development project, conduct dynamic cost-benefit analysis and improve overall profitability. It covers the full lifecycle of a real estate development project from the initial budget planning phase to contract execution and payment management, from measuring the actual cost performances to managing the overall project completion progress and key milestones. Through our *Cost Control Solution*, our customers also have real-time access to the latest costs and payment status of their real estate development projects. In addition, our *Cost Control Solution* allows effective integration with our *Construction Cloud* (雲鏈), enabling customers to better manage cost control in real time through overseeing the entire construction process. For example, when a construction contractor applies for progress payments through our *Construction Cloud* (雲鏈), our *Construction Cloud* (雲鏈) will transmit the details of the application, including the specific amount and the documentation to the ERP solutions, thereby allowing our customers to track the construction progress and the cost incurred on a timely basis.
- *Project Planning Solution.* We provide property developers with a suite of digital tools to manage project value, stage planning, project execution and coordination, perform project planning assessment and conduct intelligent data analysis. Our comprehensive solution covers all key development stages of a real estate development project, allowing property developers to obtain a holistic oversight of the progress of their real estate projects to effectively manage asset value, establish standard operating procedures, and improve operating efficiency.

- *Expenses Management Solution.* We provide property developers with an effective tool to process, settle and audit business related expenditures online, allowing them to prepare accurate budgets, manage expense reimbursements, and control budget execution to maximize cost efficiency. By streamlining business processes, our *Expense Management Solution* ensures the integrity of expense management, reduces operating costs, and improves operational efficiency.
- *Sales Management Solution.* We provide a variety of digital tools that help sales managers of property developers to better track, monitor and manage their sales targets, formulate pricing policies, digitalize and simplify contract execution and management, manage customer relationship, track payment, balance due and settlement, and ensure a smooth, efficient property handover process. Through tracking property sales data, customer information and sales target updates available on our *Sales Management Solution*, property developers are equipped with data-driven capabilities to effectively manage the entire property sales and marketing process. Customers who subscribe for both of our ERP solutions and *CRM Cloud (雲客)* will further benefit from the fully integrated data access and connectivity across both, which further enhances the efficiency of their sales and marketing functions. For example, once a property purchaser has selected a property through our *CRM Cloud (雲客)*, the information of the transactional intent together with the details of the property selected will be imported into our ERP solutions, which enables our customers to monitor and manage sales in a timely and centralized manner.

Implementation, Product Support and Value-added Services

In addition to software licensing, we offer customers a variety of delivery and support services to ensure successful implementation and effective operation of our ERP solution. Our customers typically subscribe for our implementation services and one-year product support services when they enter into software licensing agreements with us. We also provide value-added services upon our customers' requests. As a result, we benefit from the strong revenue stream from providing ongoing product support and value-added services in addition to licensing fees and implementation service fees. In 2017, 2018 and 2019 and for the three months ended March 31, 2020, we generated revenues from sales of our ERP solutions in the amounts of RMB400.1 million, RMB583.5 million, RMB754.1 million and RMB124.1 million, respectively, with 43.6%, 47.3%, 57.5% and 62.3% of such fees contributed by product support services and value-added services.

- *Implementation services.* Leveraging our industry expertise in implementation methodology, we assist customers to streamline and expedite the implementation process, maximizing the value propositions of our ERP solutions. Our ERP solutions include pre-configured extensions that meet the specific needs of various types of customers and can be easily tailored by our customers to meet more specific technical and operational requirements. We provide implementation services on our own for sales conducted through our direct sales force. Our regional channel partners provide implementation services according to our specifications for end

customers located in regional markets. We provide trainings to our regional channel partners to ensure the implementation services they provide to the end customers meet our requirements. Implementation services typically consist of five stages, namely, project kick-off, service blueprint design, pilot-phase deployment, online testing and full deployment. After the completion of initial implementation, we also provide related consulting and training services to assist customers in optimizing their use of our ERP solutions. Since 2017, we have been capable of providing our ERP solutions through our scalable cloud architecture, which allows us to serve a large number of customers cost-effectively through faster deployment and more efficient on-demand customization. The following flowchart illustrates the business process of the implementation services for our ERP solutions.



- *Product support services.* We help customers proactively monitor the ongoing operations of our ERP solutions after their initial implementation and provide tailored product support to ensure their stable and effective operation within our customers' technology infrastructure. We collect product support requests through our regional channel partners or directly from our customers or their internal IT teams through our online service platform, customer hotline, Weixin/WeChat mini program, and customer service emails. The primary product support services provided to our customers on a daily basis include on-demand technical and operational consulting, systematic inspection, troubleshooting, and routine adjustments and upgrades. Our research and development center centralizes and processes all product support requests from customers, including technology related support requests. This allows us to garner and institutionalize extensive industry and technological know-how to continuously optimize our technology and improve customer experience and the quality of our services.
- *Value-added services.* We believe offering customized value-added services is essential for delivering personalized customer experience, increasing customer satisfaction and driving customer loyalty and stickiness. When our ERP solutions are sold to customers by our regional channel partners, they have the discretion to either provide value-added services to the customers by themselves or have us provide such services, based on the complexity of each customer request and the regional channel partners' technical capabilities. We receive value-added service requests directly from our customers or through our regional channel partners. A technical team consisting of our technical specialists is then assigned to work on product design to deliver features and functions catering to the customer's specific business and operational needs. Our customized value-added services include (i) customized system inspection and troubleshooting, (ii) customized configuration and development of specific applications, which helps customers convert business ideas into actionable tools with precise technical and operational guidance, and (iii)

tailored professional technical advice based on our extensive expertise and industry know-how and insights. Our goal is to help customers maximize the value of our ERP solutions by enabling an effective integration of our ERP solutions with our customers' own systems to enhance performance.

To the extent we leverage our regional channel partners to sell our ERP solutions and provide prescribed services to end customers in regional markets, we have put in place a series of robust management measures over our regional channel partners to ensure the delivery of a consistent level of quality in our products and services to customers' satisfaction. For further information, see the section headed "– Sales, Marketing and Distribution – Our Regional Channel Partner Network."

Pricing and Fee Models

We charge customers for our ERP solutions based on the services subscribed by our customers, which typically include the following types of solutions.

Types of Services

Pricing and Fee Models

Software licensing

One-time licensing fees charged for each package of ERP solutions subscribed, based on a variety of factors, such as types of ERP solutions and number of permitted users, that affect the amount of licensing fees. For example, we permit a maximum number of activations on one license code according to the specific ERP solutions package our customers subscribe, which imposes limit on the maximum number of users. Once the number of activated users reaches the permitted limit as coded in the software dongle that we use to implement the relevant ERP solutions and record on our end, no additional user entitlement would be granted unless our customer elects to upgrade the original package by paying us additional licensing fees. During the Track Record Period, we were not aware of any unpaid user in breach of the licensing agreements we entered into with our customers. In cases where our ERP solutions are sold to end customers by our regional channel partners, such regional channel partners purchase ERP solutions from us at a discount price and then re-sell as principal to the end customers based on our guidance prices.

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Types of Services

Pricing and Fee Models

Implementation services

Service fees charged based on various factors including the type of implementation services selected by our end customers, the number of implementation specialists staffed on a given customer project, and the duration of our implementation services. In cases where our end customers contract with us directly, we charge such end customers for implementation services provided by us or procure implementation services from our regional channel partners who will be accounted for as our suppliers. Our end customers may also choose to contract with our regional channel partners for their implementation services, in which case we do not directly charge fees for such services.

Product support services

Annual service fees. In cases where our ERP solutions are sold to end customers by our regional channel partners, our regional channel partners typically charge end customers service fees and share a portion of such service fees with us for our product support services provided to the end customers.

Value-added services

Service fee charged to our end customers, or charged to regional channel partners in cases where they deploy our technical specialists to deliver such services, based on factors including the type of customized value-added services provided by us, the number of our technical specialists staffed on a given customer project, and the duration of such services. In cases where value-added services are delivered by our regional channel partners (whether through their own staff or our technical staff deployed by such regional channel partners), we will not directly charge our end customers any fees.

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The following table sets forth our ERP products revenue breakdown by service types for the periods indicated.

| | For the year ended December 31, | | | | | | For the three months ended March 31, | | | |
|----------------------|--|--------------|----------------|--------------|----------------|--------------|--------------------------------------|--------------|----------------|--------------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | % |
| | (unaudited) | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | |
| Software licensing | 157,860 | 39.4 | 231,903 | 39.8 | 232,888 | 30.9 | 34,367 | 29.4 | 30,680 | 24.7 |
| Implementation | | | | | | | | | | |
| services | 68,025 | 17.0 | 75,501 | 12.9 | 87,711 | 11.6 | 10,769 | 9.2 | 16,133 | 13.0 |
| Product support | | | | | | | | | | |
| services | 56,296 | 14.1 | 69,571 | 11.9 | 113,581 | 15.1 | 22,623 | 19.3 | 27,169 | 21.9 |
| Value-added services | 117,936 | 29.5 | 206,527 | 35.4 | 319,962 | 42.4 | 49,206 | 42.1 | 50,161 | 40.4 |
| Total | 400,117 | 100.0 | 583,502 | 100.0 | 754,142 | 100.0 | 116,965 | 100.0 | 124,143 | 100.0 |

Our ERP business has been and will continue supporting our sustainable growth given our large, growing and loyal customer base and strong product development and technology capabilities. Specifically, we believe we will continue to benefit from the high visibility into the future revenues and profitability of our ERP business through executing the following strategies.

- *Expand and diversify our customer base.* Leveraging our reputation among top property developers and extensive network of regional channel partners, we have been successfully penetrating into regional markets outside of tier-1 cities in China and attracting more small- and medium-sized regional property developers to our ERP business. In 2017, 2018 and 2019, we derived revenues from approximately 900, 1,200 and 1,500 paying end group customers for our ERP solutions, respectively, partly due to our continued expansion throughout the regional markets. We believe that the colossal regional markets in China with approximately 30,000 small- and medium-sized regional property developers still represent significant opportunities for us to acquire new customers to drive the growth of our ERP business, particularly revenues from software licensing. The expanding customer base of our ERP solutions will also lead to continuous growth in product support revenues from our new customers.

- *Drive the growth of ERP value-added services.* We will continue to offer more value-added services to customers of our ERP solutions, such as customized system inspection and troubleshooting, and customized configuration and development of specific applications that helps customers convert business ideas into actionable tools with precise technical and operational guidance. As our customers continue to expand their business operations in terms of both scale and level of complexity, we are well-positioned to provide a variety of value-added services in order to deliver an effective integration of our ERP solutions into our customers' own business processes, databases and systems with enhanced performance and customization.
- *Upselling through product and technology upgrades.* We have been driving our existing customers' spending through upgrading our ERP solutions with new product and technology features, which create new monetization opportunities. For example, we introduced the cloud version of our ERP solutions in 2017, which offers substantial scalability benefits to our customers and allows us to charge additional licensing and implementation fees for those customers who decide to upgrade their existing solutions.

Our SaaS Products – Delivering Intelligent Solutions to Various Real Estate Industry Participants

Overview

Leveraging our extensive insights into the real estate industry, we offer a wide variety of innovative SaaS products to empower our customers in a full spectrum of business scenarios throughout the real estate value chain. Our SaaS products include four major cloud service offerings, namely *CRM Cloud* (雲客), *Construction Cloud* (雲鏈), *Procurement Cloud* (雲採購) and *Asset Management Cloud* (雲空間), catering to the diverse needs of property developers, construction materials suppliers and property asset management companies. Our SaaS product offerings empower our customers with intelligent technologies and data analytics, allowing them to connect with their customers and other business partners more effectively through online platform and enhance the efficiency and performance of their business operations. Our SaaS products are designed to be easily accessible by users through web portals, mobile apps and Weixin/WeChat mini program via both PC and mobile devices, depending on the specific application scenarios. We equip our *CRM Cloud* (雲客) and *Construction Cloud* (雲鏈) with certain integrated smart devices such as POS terminals and smart cameras to enhance the overall performance of such SaaS products and further improve user experience, thereby attracting more customers.

BUSINESS

The following table sets forth a summary of the target paying customers, other non-paying key users, features and benefits, and fee models of our SaaS products.

| SaaS Products | Key Paying Customers | Other Non-Paying Key Users | Key Features and Benefits | Fee Models with Paying Customers |
|-----------------------------------|--|---|---|---|
| <i>CRM Cloud</i> (雲客) | Property developers | Property purchasers, sales agents and brokers | <ul style="list-style-type: none"> An innovative digital marketing and site management tool to generate sales leads, identify prospective property purchasers, streamline contract execution and deposit payment, and manage the entire property sales process all within our customers' property sales offices Provides property developers with enhanced customer acquisition capabilities, increase customer conversion, monetize customer traffic and increase property sales | <ul style="list-style-type: none"> Subscription fees during the term of contract Implementation fee Sales of related smart devices such as smart cameras and PoS terminals |
| <i>Construction Cloud</i> (雲鏈) | Property developers and certain construction contractors | Property purchasers | <ul style="list-style-type: none"> A comprehensive solution that allows property developers to monitor the complex property construction and delivery process online, including construction site management, property inspection, construction contract execution and settlement, and property handover Enables property developers to streamline the entire property construction and delivery processes and improve management efficiency | <ul style="list-style-type: none"> Subscription fees during the term of contract Implementation fee |

BUSINESS

| SaaS Products | Key Paying Customers | Other Non-Paying Key Users | Key Features and Benefits | Fee Models with Paying Customers |
|--|---|------------------------------|--|---|
| <i>Procurement Cloud</i> (雲採購) | Property developers, construction materials suppliers and other service vendors | N/A | <ul style="list-style-type: none"> An online platform offering various digital tools to enable property developers to manage material procurement process Allows property developers and construction materials suppliers and other service vendors to reduce transaction costs and improve efficiency and transparency of their procurement process | <ul style="list-style-type: none"> Subscription fees during the term of contract Fixed fees for other value-added services such as offline industry events admissions |
| <i>Asset Management Cloud</i> (雲空間) | Property developers; property asset management companies | Tenants of rental properties | <ul style="list-style-type: none"> A comprehensive solution focused on facilitating the management and operations of commercial and residential rental properties, allowing customers to digitalize and streamline key property operations functions, such as rental and utility payment, and enabling customers to track and manage property value changes and other key financial and operating information based on a centralized database of their properties Digitalizes property asset information, enables efficient and cost-effective property operations, and optimizes property portfolio management and investment | <ul style="list-style-type: none"> Subscription fees based on the size of property during the term of contract Implementation fee |

BUSINESS

The following table sets forth our revenue breakdown by SaaS products for the periods indicated.

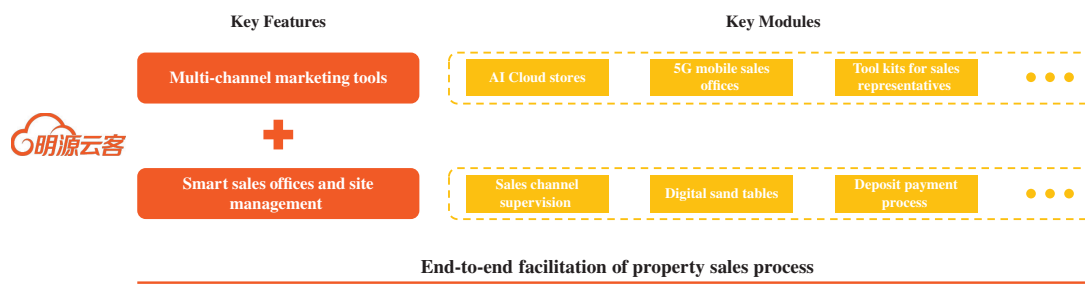
| | For the year ended December 31, | | | | | | For the three months ended March 31, | | | |
|---------------------------------|--|-------|---------|-------|---------|-------|--------------------------------------|-------|---------|-------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | % |
| | (unaudited) | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | |
| CRM Cloud (雲客) | 121,667 | 67.8 | 226,472 | 68.7 | 355,195 | 69.7 | 51,005 | 65.5 | 94,320 | 72.8 |
| Construction Cloud (雲鏈) | 42,444 | 23.6 | 73,688 | 22.4 | 111,365 | 21.8 | 18,336 | 23.5 | 22,269 | 17.2 |
| Procurement Cloud (雲採購) | 7,290 | 4.1 | 11,067 | 3.4 | 16,727 | 3.3 | 3,353 | 4.3 | 4,437 | 3.4 |
| Asset Management Cloud (雲空間) | 8,090 | 4.5 | 18,066 | 5.5 | 26,540 | 5.2 | 5,179 | 6.7 | 8,621 | 6.6 |
| | | | | | | | | | | |
| Total | 179,491 | 100.0 | 329,293 | 100.0 | 509,827 | 100.0 | 77,873 | 100.0 | 129,647 | 100.0 |

CRM Cloud (雲客)

CRM Cloud (雲客) provides property developers with various digitalized tools to improve their customer acquisition capabilities and optimize the site management of their property sales offices. It enables property developers to effectively generate sales leads and identify prospective property purchasers, allows sales representatives of property developers to interact with third-party sales agents and brokers efficiently, thereby improving sales performance and streamlining the property sales process with a superior customer experience and lower transaction costs. In addition, we complement our *CRM Cloud (雲客)* with smart devices such as POS terminals, tablets and smart cameras, which are fully integrated with our SaaS software application, to enhance its overall performance and further improve user experience. Specifically, property sales offices that are equipped with such smart devices are capable of identifying visitors, digitally managing sales channels and facilitating payment process, thereby improving sales results and efficiency. Through our mobile app and smart devices, sales representatives of property developers and third-party sales agents and brokers working in property sales offices have easy access to various digital marketing tools offered by *CRM Cloud (雲客)*. We enter into subscription agreements with customers subscribing for *CRM Cloud (雲客)* and charge a fixed subscription fee for the term of the contract (which typically lasts one year with renewal options) and a fixed one-time implementation fee. Once subscribed by property developers, *CRM Cloud (雲客)* is accessible by sales agents and brokers for free. We also charge property developers for sales of smart devices that optimize the functionality of *CRM Cloud (雲客)*.

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The following diagram illustrates the key functions, benefits and application scenarios of *CRM Cloud (雲客)*, which shall be read in conjunction with the below detailed product description and the screenshots of the relevant product functions and features.



In 2017, 2018 and 2019 and in the first quarter of 2020, a total number of approximately 1,200, 1,700, 2,400 and 2,200 paying end group customers subscribed for *CRM Cloud (雲客)*. In 2017, 2018 and 2019 and the first quarter of 2020, 92, 94, 97 and 89, of Top 100 property developers subscribed for *CRM Cloud (雲客)*, respectively. The number of property sales offices across China equipped with *CRM Cloud (雲客)* was approximately 3,300, 5,900, 8,700 and 5,100 in 2017, 2018 and 2019 and the first quarter of 2020, respectively. According to Frost & Sullivan, *CRM Cloud (雲客)* is the No. 1 new house sales and marketing and sales office site management tool for property developers in China in terms of both revenue and number of served property sales offices in 2019. The annual customer account retention rate for *CRM Cloud (雲客)* was approximately 93% and 96% in 2018 and 2019, respectively.

Key features

Our *CRM Cloud (雲客)* offers property developers a variety of sales and marketing and customer relationship management functions and features, including the following.

- **Multi-channel digital marketing tools.** *CRM Cloud (雲客)* provides an integrated suite of online and offline marketing channels empowering property developers to generate sales leads, and identify and engage with prospective property purchasers in a more transparent, effective and user-friendly way. *CRM Cloud (雲客)* enables property developers to quickly and easily establish their own online AI cloud stores and 5G mobile sales offices running on Weixin/WeChat mini program by using drag-and-drop tools without writing code. Property developers are able to design and create customized marketing interfaces to accommodate their own sales strategies and set up their own customer portal with a central repository of relevant and tailored content in various formats, such as marketing and listing information, property description, photos, video or animated tours, floor and site plans. *CRM Cloud (雲客)* also allows advertising through Weixin/WeChat. By tracking sharing history and social graphs of users, we help property developers generate sales leads

and capitalize on user traffic. In addition, *CRM Cloud (雲客)* equips property sales representatives with a variety of mobile-optimized and user-friendly tools and smart devices, facilitating digitalized and more effective offline sales and marketing activities.

- *Smart property sales offices and site management.* Leveraging our big data analytics and AI technology, *CRM Cloud (雲客)* equips property sales offices with intelligent tools to improve sales efficiency and results. Once a visitor steps into the sales office operated by a property developer, our facial recognition technology based on our proprietary algorithm embedded in smart cameras is able to immediately and accurately identify such visitor and match him/her with the salesperson who served such visitor previously to avoid sales channel conflict. Sales representatives of our customers use tablets with our pre-installed mobile app to register visitors and collect visitor information, which enables efficient information gathering and facilitates customer engagement. In addition, through our smart POS terminals, customers and sales representatives are able to process deposit payment at their fingertips. At the same time, payment and contract information is seamlessly imported to the *CRM Cloud (雲客)* mobile app and the customers' ERP systems in real time, which allows a payment settlement process to be recorded within 10 seconds. We have also developed other tools and devices to further enhance the operating efficiency of property sales offices and maximize the performances of the sales force of property developers. For example, our AI marketing service allows property developers to provide answers to the frequently asked questions of their potential customers. Its embedded voice recognition technology can further recognize spoken words relating to property sales such as "property developer," "property location" and "price," thereby allowing property developers to target the right potential customers who have a real interest in purchasing properties. This helps property developers provide their customers with the right content, create more customer touch points, and at the same time significantly reduce the time and costs needed for human intervention and response. In addition, we have developed digital sand table models for both online and offline property sales offices at reduced cost compared to traditional sand table models. The digital sand table provides a visual and virtual property information terminal, presenting a rich and relevant source of information to prospective property purchasers from multiple angles.
- *End-to-end facilitation of property sales process.* *CRM Cloud (雲客)* serves a wide array of business scenarios in a property purchase transaction, from first-time sales office visits to confirming property purchases and paying deposits, from property inspections to contract executions. It digitally and effectively connects all key participants in a property purchase transaction, including sales representatives of property developers, third-party sales agents and brokers, and property purchasers.

BUSINESS

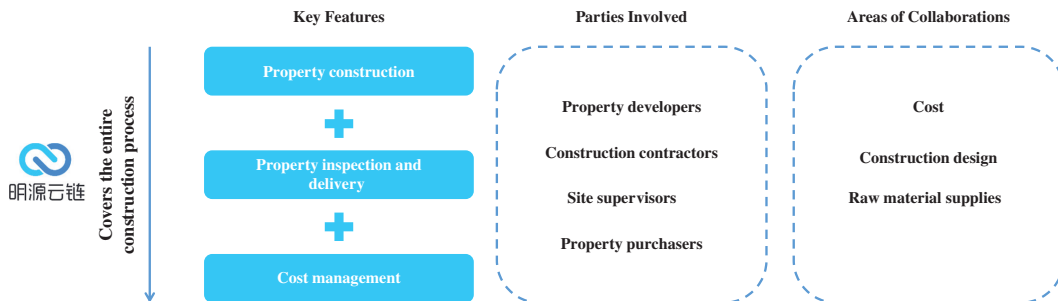
The following screenshots illustrate the user interface of our *CRM Cloud* (雲客) on Weixin/WeChat mini program and mobile app and its key functions.



Construction Cloud (雲鏈)

Construction Cloud (雲鏈) offers property developers a comprehensive suite of digitalized solutions to manage the entire property construction and delivery process, allowing them to enhance operating efficiency and quality control and reduce costs and associated risks. Customers who subscribe for *Construction Cloud* (雲鏈) can easily access our solutions through mobile app. We enter into subscription agreements with property developers and construction contractors and charge a subscription fee for the term of the contract (which typically lasts one year with renewal options) and a one-time implementation fee. Once subscribed by property developers, *Construction Cloud* (雲鏈) is accessible by property purchasers for free.

The following diagram illustrates the key functions, users and application scenarios of *Construction Cloud* (雲鏈), which shall be read in conjunction with the below detailed product description and the screenshots of the relevant product functions and features.



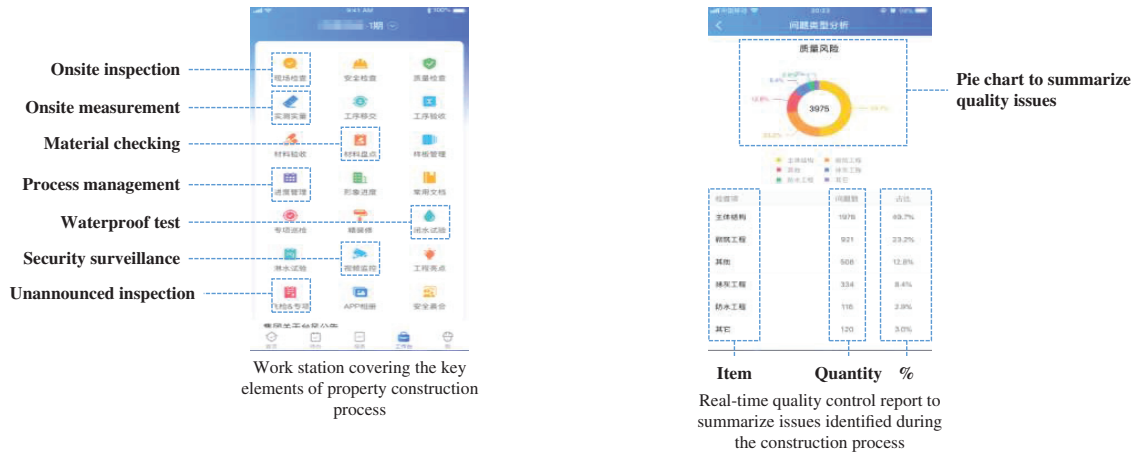
In 2017, 2018 and 2019 and in the first quarter of 2020, a total number of approximately 200, 300, 400 and 400 paying end group customers subscribed for our *Construction Cloud* (雲鏈). In 2017, 2018 and 2019 and the first quarter of 2020, 60, 63, 67 and 64 of the Top 100 property developers subscribed for *Construction Cloud* (雲鏈), respectively. The number of property construction sites in China equipped with our *Construction Cloud* (雲鏈) was approximately 400, 1,100, 2,100 and 2,200 in 2017, 2018 and 2019 and the first quarter of 2020, respectively.

Key features

Construction Cloud (雲鏈) provides a platform connecting multiple functions and features of the complex property construction process, and enables the interaction among various industry participants, including property developers, construction contractors, construction materials suppliers and property purchasers. It offers digital and intelligent tools, enabling property developers to continuously monitor and effectively manage the entire property development and construction process. Our *Construction Cloud* includes the following key features.

- *Property construction.* This feature focuses on the key elements of the property construction process, including progress planning, process management, materials management and measuring. It allows property developers, general contractors and site supervisors to collaboratively oversee construction status and effectively control construction cost and quality. We also deploy smart devices on construction sites. For example, our AI-enabled smart cameras help reduce construction workers' safety risks on construction sites. These smart cameras are embedded with facial recognition technology that allows construction contractors to effectively manage attendance and shifting of construction workers. Our intelligent floor scales enable automatic measurement and inspection of raw materials upon delivery without human assistance. Leveraging our cloud infrastructure, the property construction function of our *Construction Cloud* (雲鏈) can be effectively integrated with the cost control solution and project planning solution of our ERP system, offering customers a holistic and comprehensive view of the key stages of their property construction process.
- *Property inspection and delivery.* Through our mobile app and Weixin/WeChat mini program, property developers, construction contractors, and property owners have real-time access to the latest status of property inspection, defect rectification, and property handover process. We also provide online customer support services and tools for property owners to easily submit customer complaints and repair requests anytime and anywhere.
- *Cost management.* We further improve the operational efficiency of property construction and delivery process with online contract execution, payment and settlement services, which allows property developers to monitor and manage costs in real time.

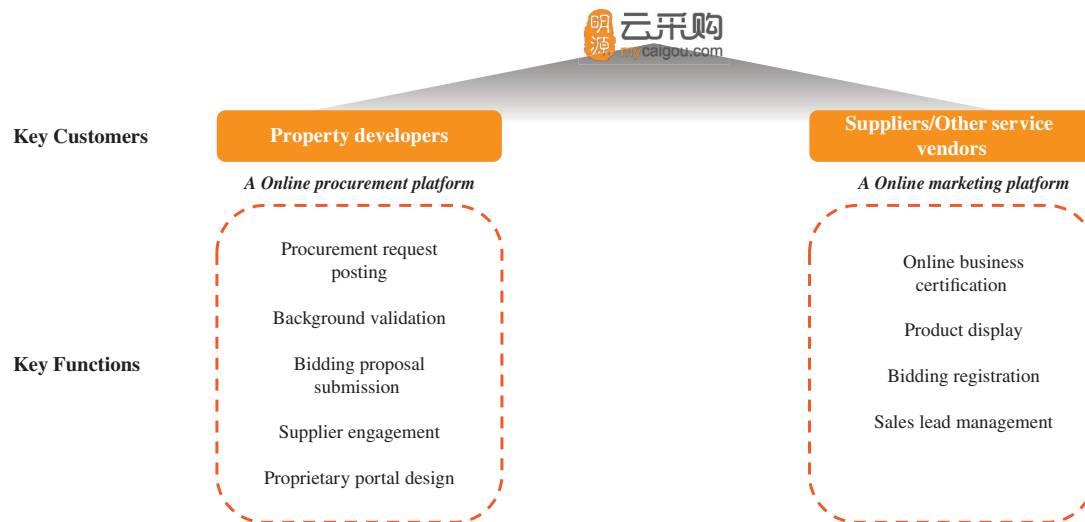
The following screenshots illustrate the user interface of the property construction feature of our *Construction Cloud* (雲鏈) mobile app.



Procurement Cloud (雲採購)

Procurement Cloud (雲採購) is a procurement and supply chain management platform that connects property developers and construction materials suppliers and other service vendors and allow both parties to reduce transaction costs and improve the efficiency and transparency of the material procurement process in connection with property development. Customers who subscribe for *Procurement Cloud* (雲採購) will have access to our database of a broad network of verified construction materials suppliers and other service vendors and a variety of digital tools to assist them in the design, implementation and management of their construction materials, and other service procurement and bidding process. The registered suppliers on our platform offer a wide range of construction raw materials including coating and paint, mechanical and electrical supplies, bathroom and kitchen supplies, furniture and decoration, and landscaping and sports supplies, as well as related services such as architectural and interior design and consulting services. We enter into subscription agreements with customers and charge a subscription fee for the term of the contract (which typically lasts one year with renewal options) for the access to our integrated platform, database and tools. To diversify our monetization strategies, we also take advantage of our extensive network of property developers and suppliers to organize offline industry events and procurement conventions for which we charge admission fees.

The following diagram illustrates the key functions, users and application scenarios of *Procurement Cloud* (雲採購), which shall be read in conjunction with the below detailed product description and the screenshots of the relevant product functions and features.



As of March 31, 2020, *Procurement Cloud* (雲採購) connected over 2,000 property developers and over 60,000 suppliers verified by us throughout China.

Key features

The key functions and features of our *Procurement Cloud* (雲採購) include the following:

- *Online procurement platform for property developers.* We rigorously recruit and select suppliers who register on our *Procurement Cloud* (雲採購) platform. Leveraging our data analytics, we provide a massive and dynamic database capable of intelligently connecting the relevant suppliers with procurement requests of our property developer customers. Through our platform, our property developers customers have access to an extensive network of verified suppliers and receive AI-driven recommendation of a list of suppliers that match the property developers' specific procurement requests. We design *Procurement Cloud* (雲採購) to facilitate the entire procurement management process, from procurement request posting to background validation, from bidding proposal submission to supplier engagement. Upon receiving property developers' procurement requests, we also help them design and create their own portal to effectively manage their own requests and collect bids from suppliers. Our *Procurement Cloud* (雲採購) enables customers to streamline and enhance the transparency of online procurement process, improve procurement efficiency and reduce procurement costs.

- *Online marketing platform for suppliers. Procurement Cloud (雲採購)* allows suppliers to optimize marketing efforts and effectively participate in online bidding process. Through tools such as online business certification, product display, bidding registration and sales lead management, suppliers are enabled to effectively connect with property developers, reduce marketing costs, increase customer conversion rate and improve sales. We also leverage our data analytics capabilities to verify the relevant background information of property developers and suppliers to ensure the transparency and reliability of our platform.

The following screenshots illustrate the user interface and key functions of our *Procurement Cloud (雲採購)* platform for property developers.

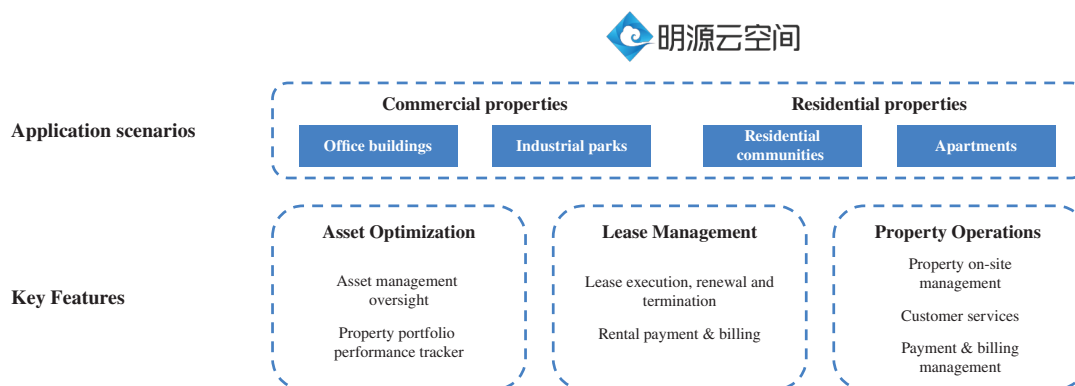


Asset Management Cloud (雲空間)

Asset Management Cloud (雲空間) provides property developers, property asset management companies and property management companies with various tools to streamline and optimize real estate management process, and improve operational efficiency and reduce costs through digital management of various property assets across different geographic locations. Our *Asset Management Cloud (雲空間)* currently focuses on rental property management for both commercial and residential properties, such as office buildings, industrial parks, residential communities and apartments. With the real estate market in China embracing the era of property operations and asset management, we believe our *Asset Management Cloud (雲空間)* is well positioned to serve a broader array of property assets with a digital platform to facilitate property operations and management in the future, which allows property management companies to improve operational efficiency and enables property asset management companies to optimize investment decisions and enhance risk management.

We enter into subscription agreements with property developers and property asset management companies subscribing for our *Asset Management Cloud (雲空間)* and charge a one-time implementation fee and a subscription fee for the term of the contract (which typically lasts one year with renewal options) primarily based on the size of the property under management. We currently offer *Asset Management Cloud (雲空間)* to tenants of rental properties for free.

The following diagram illustrates the key functions and application scenarios of *Asset Management Cloud* (雲空間), which shall be read in conjunction with the below detailed product description and the screenshots of the relevant product functions and features.



Since the launch of *Asset Management Cloud* (雲空間) in 2017, we have achieved an initial success in customer acceptance. As of March 31, 2020, our *Asset Management Cloud* (雲空間) managed over 130 million square meters of commercial and residential properties.

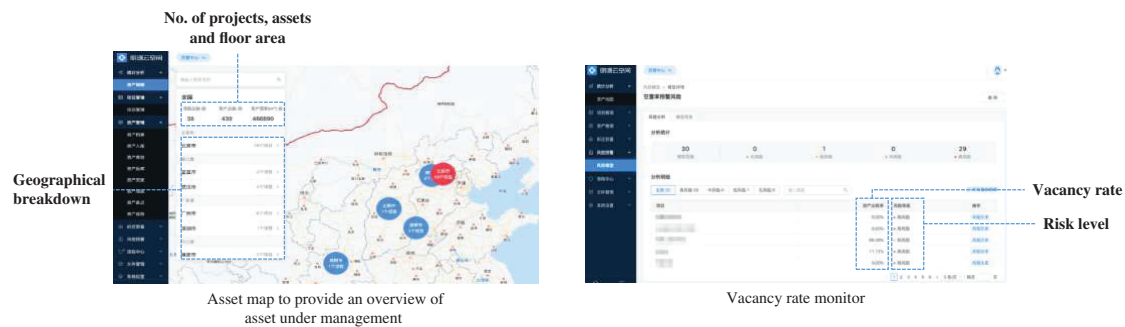
Key features

The key functions and features of our *Asset Management Cloud* (雲空間) include the following:

- Asset optimization.** Our asset value management covers a full spectrum of business functions and processes through the entire life cycle of a variety of residential or commercial property assets, including property investment, financing, construction, management, and disposition. Leveraging our data analytics, we enable our customers to digitalize asset information and establish a centralized database of each property under management, thereby managing asset value effectively. The improved asset transparency, enhanced by the digital tools we offer to oversee the asset management process and track property portfolio performance, empower our customers to streamline their decision-making process and make more informed management decisions to effectively control risks and achieve optimal financial return on their property assets located across China.
- Lease management.** We provide mobile-friendly digital tools for customers to manage lease execution, renewal and termination, as well as rental payment and billing, enabling them to optimize their rental and pricing strategies and maximize investment returns.

- **Property operations.** Our property operations solution focuses on three core business scenarios, property on-site management, customer services and payment and billing management, which have traditionally been carried out manually or through a combination of software products of various vendors. Through our integrated digital tools, property management companies can monitor property quality and safety in real time, provide customer support services online, and process rental payments, utility payments and other charges through a centralized billing and invoicing system. As a result, property management companies are able to increase operational efficiency and improve the satisfaction of tenants and residents.

The following screenshots illustrate the user interface and key features of our *Asset Management Cloud* (雲空間).



SALES, MARKETING AND DISTRIBUTION

Overview of Sales and Distribution Network

We sell and deliver ERP solutions and SaaS products through our direct sales force and a nationwide network of regional channel partners. Our sales team is organized by geographic region and divided into different teams targeting different types of customers and offerings, which results in a higher level understanding of customers' varying needs. Consistent with market practices in China, we conduct direct sales through our sales teams based in tier-1 cities including Beijing, Shanghai, Shenzhen and Guangzhou, and closely work with our regional channel partners to market our ERP solutions and SaaS products to customers in the rest of China for greater cost efficiency. As of March 31, 2020, we employed more than 200 employees in our direct sales teams and cooperated with 69 regional channel partners in 27 provinces in China.

BUSINESS

The following table sets forth a breakdown of our revenues generated from our direct sales and through our regional channel partners by business segment for the periods indicated.

| | For the year ended December 31, | | | | | | | | | For the year ended March 31, | | | | | |
|---------------|--|-------|--|-------|--|-------|--|-------|--|------------------------------|--|-------|--------------|-------|-------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | | 2020 | | | | |
| | Distribution through regional channel partners | | Distribution through regional channel partners | | Distribution through regional channel partners | | Distribution through regional channel partners | | Distribution through regional channel partners | | Distribution through regional channel partners | | | | |
| | Direct sales | | Direct sales | | Direct sales | | Direct sales | | Direct sales | | Direct sales | | Direct sales | | |
| | Total | | Total | Total | | Total | | Total | | Total | | Total | | Total | |
| | (unaudited) | | | | | | | | | | | | | | |
| | (RMB in millions) | | | | | | | | | | | | | | |
| SaaS products | 80.6 | 98.9 | 179.5 | 139.9 | 189.4 | 329.3 | 212.9 | 297.0 | 509.9 | 30.4 | 47.5 | 77.9 | 50.8 | 78.9 | 129.7 |
| ERP solutions | 312.9 | 87.2 | 400.1 | 398.5 | 185.0 | 583.5 | 500.5 | 253.6 | 754.1 | 67.1 | 49.9 | 117.0 | 72.9 | 51.2 | 124.1 |
| | | | | | | | | | | | | | | | |
| Total | 393.5 | 186.1 | 579.6 | 538.4 | 374.4 | 912.8 | 713.4 | 550.6 | 1,264.0 | 97.5 | 97.4 | 194.9 | 123.7 | 130.1 | 253.8 |

During the Track Record Period, the absolute amount of revenues generated from our direct sales and through our regional channel partners have both achieved significant increase due to our expanding geographic reach and customer base, which were in line with our overall business growth. Revenues generated through regional channel partners as a percentage of our total revenues increased from 32.1% in 2017 to 43.6% in 2019, primarily because we continued to work with the regional channel partners to scale our presence in regional markets outside of tier-1 cities in China to attract more small- and medium-sized regional property developers to our ERP solutions and SaaS products, which is one of our core strategies to drive our long-term growth.

In addition, revenues generated through regional channel partners as a percentage of the our total revenues for the three months ended March 31, 2019 and 2020 were at a relatively higher level compared to those for the years ended December 2017, 2018 and 2019, primarily due to the relatively prolonged annual budgeting and procurement cycles as a result of holidays and annual corporate events of leading property developers headquartered in tier-1 cities during the Chinese New Year holiday season, which resulted in relatively lower revenues generated from our direct sales force who focused on tier-1 cities in the first quarters as compared with full year revenues. As revenues derived from leading property developers in tier-1 cities served by the our direct sales force typically ramp up in the second half of a year, we expect that revenues generated through regional channel partners as a percentage of our total revenues for the full year ended December 31, 2020 will return to a similar level as that in 2019.

Seasonal fluctuations in revenues of software solution providers serving China's real estate industry is an industry norm, according to Frost & Sullivan. Such fluctuations are generally in line with the seasonality of property development and new house sales in China. For example, the contributions of new house sales in the first quarter of 2018 and 2019 were 17.1% and 16.9% for the respective year, which were close to the revenue contribution of the first quarter of our Group in 2019.

Marketing and Branding

We promote our brand and generate customer leads primarily through word-of-mouth referrals by our existing customers, as well as online and offline marketing activities. Our marketing and branding efforts include the following.

- Organizing offline real estate and technology industry events, including our annual *Real Estate Enterprise CEOs Summit*, *Real Estate Enterprise Chief Information Officers Summit*, *Real Estate Enterprise Procurement Summit* and *Urban Renewal Asset Management Summit* participated by thousands of corporate executives of property developers and key decision makers of other industry participants;
- Engaging in online marketing;
- Organizing and attending executive events, trade shows and industry events;
- Taking public relations and social media initiatives, including through industry-specific publications by our well-recognized *Ming Yuan Real Estate Research Institute*; and
- Providing sponsorships and participating in third-party marketing and other industry events.

Direct Sales Force

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

We adapt our sales and marketing strategies to directly respond to customers' organizational priorities, inform their key decision makers, and really focus on driving customer experience.

We typically enter into subscription and service agreements with customers in tier-1 cities covered by our direct sales force. Terms of our subscription and service agreements primarily include: (i) term of subscription or services, (ii) products subscribed or services to be provided, (iii) price and payment methods, (iv) key milestones of services to be provided, (v) the scope of our intellectual property rights, (vi) confidentiality clause and (vii) liability for breach of contract.

Our Regional Channel Partner Network

Backgrounds of Regional Channel Partners

We have since our inception worked with a selected group of regional channel partners who together form an extensive sales and service network across China for us to rapidly scale up our presence in regional markets in a cost-effective manner.

As of March 31, 2020, we cooperated with 69 regional channel partners, covering 27 provinces across China. To the best of our Directors' knowledge, such regional channel partners are enterprises primarily engaging in provision of IT-related services, including but not limited to development and distribution of software and hardware products, sales of computer equipment and accessories, and information technology consulting services. The sizes of these regional channel partners vary depending on the geographic reach of their respective business operations and the locations in which they operate. Regional channel partners that have broader geographic footprints are typically larger in size than those that deploy their sales force only within a particular region. In addition, regional channel partners that operate in larger local markets with a large base of potential customers and/or real estate development projects usually deploy a larger sales force to better serve their customers. Based on publicly available information and to the best of our Directors' knowledge, the registered share capital of such 69 regional channel partner ranges from RMB50,000 to RMB50,000,000, and they generally retained 10 to 60 employees in 2019, with the largest one having approximately 165 employees.

The following table sets forth the number of our regional channel partners during the periods indicated.

| | As of the year ended December 31, | | | As of the three months ended |
|--|--|-------------|-------------|-------------------------------------|
| | 2017 | 2018 | 2019 | March 31, 2020 |
| As of the beginning of the period | 36 | 40 | 53 | 68 |
| Additions of regional channel partners | 9 | 16 | 15 | 2 |
| Termination of regional channel partners | 5 | 3 | 0 | 1 |
| As of the end of the period | <u>40</u> | <u>53</u> | <u>68</u> | <u>69</u> |

During the Track Record, we had a net increase in the number of total regional channel partners. The turnover rate of our regional channel partners was 13.9%, 7.5%, nil and 1.5% in 2017, 2018 and 2019 and for the three months ended March 31, 2020, respectively. We

discontinued our relationship with a small number of regional channel partners primarily due to the closure of business of certain entities operated by such regional channel partners as their shareholders streamlined their respective group structures and/or switched geographic focus based on their business needs. We have nonetheless maintained partnership with the shareholders of such regional channel partners through other legal entity or in other sales regions.

In terms of our current 69 regional channel partners, we had an average of five years of cooperation as of March 31, 2020. There were 33 individuals who held 30% or more interest as the single largest shareholders in one or more of such 69 regional channel partners as of March 31, 2020. We have had a long, stable relationship with these individuals with an average of seven years of cooperation as of March 31, 2020. Historically, we typically contracted with only one legal entity owned by such 33 individuals at the beginning. As their businesses grew, such 33 individuals established additional legal entities to separately contract with us mainly in order to cover different products or regional market segments and manage their increasingly complex business operations. Accordingly, the legal entities under each of such 33 individuals generally do not compete with each other during their ordinary course of business, to the best of our Directors' knowledge.

Having considered, among others, the background of our regional channel partners, the ranges of discounts and sales rebates that we offer to them, and other key commercial arrangements, as further discussed in details below, our Directors believe that the commercial arrangements with regional channel partners are on normal commercial terms and in line with the industry norm. Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' and Frost & Sullivan's views that the engagement of regional channel partners is consistent with the industry norm and the commercial arrangements with regional channel partners are on normal commercial terms and in line with the industry norm.

Why We Use Regional Channel Partners

When we first set out with our ERP solutions in 2006, we strategically decided to dedicate our limited in-house sales and marketing resources to leading property developers located in tier-1 cities in China, with a goal to build our brand reputation and achieve market acceptance of our ERP solutions among such leading property developers who had greater purchasing power, word-of-mouth referral effects and industry influence. Outside of tier-1 cities served by our direct sales force, we decided to replicate the successful expansion paths of other software solutions providers in China in developing an extensive and effective network of regional channel partners to quickly drive our penetration in the more fragmented regional markets, which remains the industry norm today, according to Frost & Sullivan. We initially engaged regional channel partners through recruitment advertisements on industry-specific publications. In addition, there were also individuals who proactively approached us and expressed their willingness to work for us as regional channel partners because they regarded working with a fast-growing company like us as an attractive opportunity to rapidly grow their own businesses.

Our ERP solutions, which are focused on streamlining and optimizing internal management and operations of property developers, are typically procured by property developers at the group level in accordance with their IT expenses budget. Once purchased, such property developers typically implement a unified set of ERP solutions across their local subsidiaries and branches in China, thereby benefitting from a consistent, centralized internal operational management system which allows them to obtain integrated and holistic data insight into their daily business operations at different levels. As regional channel partners have greater access to the key decision makers at small- and medium-sized regional property developers due to their geographical proximity and ability to timely communicate with such regional property developers, we believe that they are able to provide more responsive and tailored customer services and support to such regional property developers, thereby effectively driving their purchase decisions made at their group level.

In 2014, we launched our SaaS business and have since leveraged our existing network of regional channel partners to market and sell our SaaS products in regional markets primarily based on the following reasons:

- First, the proven success of our expanding ERP business in regional markets in China has clearly demonstrated the effectiveness of selling our software solutions through regional channel partner network. As we first launched our SaaS business, we intended to replicate the fast growth of our ERP business in regional markets in China by largely leveraging our existing regional channel partner network to rapidly scale the presence of our SaaS products in the same regional markets;
- Second, our regional channel partners have, through years of marketing and selling our ERP solutions, established close relationships with small- and medium-sized regional property developers in their respective local markets. Such local property developers are also the major target customers of our SaaS products. We believe that our regional channel partners have significantly benefited from such existing, long-standing relationships with regional property developers in promoting our SaaS products, which have contributed to the rapid growth of our SaaS business throughout the Track Record Period and beyond;
- Third, SaaS products typically serve specific business functions and/or local branches and operations, such as specific sales offices and local construction projects, of property developers. Given this nature of the SaaS products, it requires significant local resources in order to effectively market our SaaS products and better serve the local customers. As regional channel partners have greater access to regional operations of property developers due to their geographical proximity, familiarity with the local markets as well as local customer relationship connections, we believe that they are better positioned to help us penetrate into and sustain our growth in regional markets by providing responsive and tailored customer services to regional customers; and

- Finally, it is costly and inefficient for us to recruit, train and retain experienced sales and marketing staff to serve regional markets across China, particularly given (i) the limited supply of local talents in certain markets and (ii) the significant training cost and the time required to develop sufficient experience for a sales professional with minimal local experience. In contrast, our regional channel partners have, through years of collaboration with us partly through supporting the ERP business, already accumulated deep knowledge of our Group, our software solutions and technology and maintained experienced local sales force. Their locally tailored sales and marketing measures help ensure the efficiency and effectiveness of our sales and marketing efforts in regional markets, compared to a direct sales model.

Based on these compelling reasons and given the inherent economies of scale and favorable cost structure of SaaS products, it is crucial for us to focus on maximizing revenue growth of our SaaS business at the current stage so as to acquire a predominant market share in the regional markets. Once we establish a clear leadership in the local markets, we expect to leverage our brand reputation and customer loyalty to achieve high revenue visibility and increase customer lifetime value with reduced customer acquisition costs, thereby driving sustainable long term profitability. As such, as we scale through the initial growth stage of SaaS business in regional markets, we believe the use of our regional channel partner network provides us with a scalable way to rapidly acquire new customers through leveraging their local sales network and customer resources.

Our regional channel partners typically identify and solicit local customers within their respective designated geographic coverage through (i) co-organizing and sponsoring our offline real estate and technology industry events targeting regional markets by mobilizing their local resources to reserve suitable event venues, inviting the key stakeholders to participate, preparing and sending relevant promotional materials (if needed) as per our requests, and coordinating event logistics for the various participants; (ii) leveraging our established brand reputation to promote our products and proactively following up with the local sales leads that we generate through our online and offline advertising and marketing activities, such as attending customer meetings to promote our products, conducting on-site product demonstration with relevant decision makers at prospective customers, and discussing specific subscription plans with prospective customers; and (iii) various other local marketing and branding efforts, including conducting local telemarketing, visiting prospective customers on-site, and attending third-party local industry events and trade fairs.

According to Frost & Sullivan, the engagement of regional channel partners is consistent with the industry norm.

Certain Relationships between our Company and Regional Channel Partners

Notwithstanding the below, to the best of our Directors' knowledge, all of the 69 regional channel partners are Independent Third Parties as of March 31, 2020. Based on the due diligence work conducted by the Joint Sponsors, there is nothing that came to the attention of the Joint Sponsors that would cause them to believe that any of the regional channel partners is not an Independent Third Party. We rigorously implement the same management measures over all of our regional channel partners and do not enter into agreement with or grant any preferential term to any regional channel partner held by our former employees or our Shareholders because of its connection with us. During the Track Record Period, we had not provided any material advance or financial assistance to our regional channel partners (including the regional channel partners owned by our former employees and Shareholders).

Ex-employees

As of March 31, 2020, 16 of our 69 regional channel partners were owned by six of our former employees. We are open to extending our relationship with our employees to form trustful business partnerships, and we have put in place standard, comprehensive rules to recruit our employees as regional channel partners. When we plan to engage regional channel partners to develop a particular regional market, we may decide to internally post such recruitment information and accept applications from our employees. We deploy a dedicated committee that is responsible for reviewing such applications based on a comprehensive set of criteria such as capital resources, capabilities and business plans as demonstrated in the applications. As of March 31, 2020, five of six such former employees were selected through this process and the other one left our Group and later became the co-owner of a regional channel partner established by one of the selected five employees. We believe the collaboration with such regional channel partners is mutually beneficial for a number of reasons. First, as our former employees, such regional channel partners have a proven track record of experience and competency, which make them trusted business partners. Second, with a deep understanding of our business, standards, customers and products, such regional channel partners are capable of promoting and marketing our products effectively and efficiently, providing more tailored services to our customers, and contributing to our brand reputation among our customers. Leveraging our long-term trustworthy relationships with such regional channel partners, we are able to expand our footprint in the relevant regional markets without incurring substantial costs associated with identifying and partnering with new regional channel partners. The sales to such regional channel partners were arm's-length transactions. All commercial and operative provisions of our agreements with such regional channel partners are entirely identical to those with any other independent regional channel partners.

In 2017, 2018 and 2019 and in the first quarter of 2020, our aggregated revenues from (i) the sales of our ERP solutions to the regional channel partners who were owned by our former employees and (ii) the sales of our SaaS products through such regional channel partners were 4.7%, 7.1%, 7.9% and 10.3%, respectively, of our total revenues during the same periods.

Equity Incentives

In addition, 13 individuals, who are shareholders of 41 regional channel partners, held an aggregate of less than 2% equity interests in our Company as of March 31, 2020. One of such 13 individuals was our former employee who had held equity interest in Ming Yuan Cloud Technology before he left our Group to start his own business as our regional channel partner. For the remaining 12 individuals, we granted, on a one-off basis, incentives to them in the form of equity interest in Ming Yuan Cloud Technology based on their proven success to better align their interests with our long-term cooperation strategies and further incentivize their sales and marketing efforts. We did not, at the time of granting such equity incentives to these 12 individuals, and do not currently have a formal policy on motivating our regional channel partners with equity incentives. When we granted such equity incentives to these 12 individuals, we considered various factors with respect to our regional channel partners, including years of cooperation, strategic relationships, revenue contributions and geographic coverage. These 12 individuals had an average of more than ten years of cooperation with us and contributed substantial revenues when we granted such incentives to them. Such 13 individuals later became Shareholders of our Company as part of the Reorganization. Currently we do not have any plan to grant additional equity incentives to any regional channel partners.

While each of such regional channel partners are required, under the independence confirmation clause in our agreements with it, to confirm that it has not taken advantage of its connection with our Company in dealing with us, and that such connection does not affect its independence of us in carrying out its ordinary course of business, all commercial and operative provisions of our agreements with such regional channel partners are entirely identical to those with other regional channel partners and the sales to such regional channel partners were arm's-length transactions.

In 2017, 2018 and 2019 and in the first quarter of 2020, our aggregated revenues from (i) the sales of our ERP solutions to such 41 regional channel partners and (ii) the sales of our SaaS products through such 41 regional channel partners were 26.6%, 33.3%, 35.2% and 41.6%, respectively, of our total revenues during the same periods.

As of March 31, 2020, one individual who at the same time was our former employee and our Shareholder holding approximately 0.2% equity interest in our Company held equity interests in three regional channel partners. In 2017, 2018 and 2019 and in the first quarter of 2020, the aggregated revenues from (i) the sales of our ERP solutions to, plus (ii) the sales of our SaaS products through such three regional channel partners were 1.0%, 1.5%, 1.7% and 2.2%, respectively, of our total revenues during the same periods.

Relationship among Regional Channel Partners

As of March 31, 2020, we cooperated with 69 regional channel partners, all of which were Independent Third Parties, to the best knowledge of the Directors. Given such 69 regional channel partners (i) are separate legal entities, (ii) are subject to the same onboarding standards and procedures such as review of necessary business qualifications and licenses, prior compliance record and historical business performance, and (iii) separately enter into agreements with us for the sales of our ERP solutions and SaaS products, we do not consider any of such 69 regional channel partners to act as a group when dealing with us.

Based on the publicly available information and to the best of our Directors' knowledge, there were 33 individuals who held 30% or more interest as the single largest shareholders in one or more of such 69 regional channel partners. To the best of our Directors' knowledge, such 33 individuals were independent from each other except that there were one pair of brothers-in-law, two pairs of brothers and four couples among such 33 individuals who each held interests as the single largest shareholders in 22 regional channel partners as of March 31, 2020. Despite such family relationships, such 33 individuals did not act in concert or as a group when dealing with us as of March 31, 2020, to the best of our Directors' knowledge. Save as disclosed above, based on publicly available information and years of relationship with such individuals, and to the best knowledge of our Directors after due inquiry, we were not aware of any other control relationship or arrangement among such 33 individuals that may otherwise call into question on their independence from each other as of March 31, 2020.

Nevertheless, in order to provide a more conservative and prudent analysis on concentration of our regional channel partners and for illustrative purposes in this section headed “– Relationship among Regional Channel Partners,” we consolidate regional channel partners into groups and aggregate the revenues derived from and through the relevant regional channel partners within the same group in connection with sales of our ERP solutions and SaaS products, if the single largest shareholders holding more than 30% interest in such regional channel partners, respectively, are (i) the same individual shareholder; and/or (ii) are a couple (notwithstanding the fact that to the best knowledge of our Directors, such couples did not act in concert or as a group as of March 31, 2020 as discussed above). For avoidance of doubt, even if the revenues derived from and through such couples were aggregated, none of the groups of regional channel partners, of which the largest shareholders holding more than 30% equity interest in such regional channel partners are a couple, would have ranked as one of our top five customers during the Track Record Period. See “– Our Customers” for more information.

On the abovementioned aggregate basis, such 69 regional channel partners are consolidated into 29 groups of regional channel partners as of March 31, 2020. Among such 29 groups of regional channel partners, the top five groups of regional channel partners, in terms of revenues derived from and through our regional channel partners in connection with sales of our ERP solutions and SaaS products, contributed 19.6%, 22.2%, 23.2% and 29.1%, respectively, of our total revenues derived from and through our regional channel partners in 2017, 2018 and 2019 and the first quarter of 2020.

BUSINESS

The table below sets forth the details of our top five groups of regional channel partners, in terms of revenues derived from and through our regional channel partners in connection with sales of our ERP solutions and SaaS products during the Track Record Period:

| Rank | Regional Channel Partners | Relationship with our group | Type of product/ services purchased | Approximate years of business relationship as of the latest practicable date | Total revenues derived from and through regional channel partners (RMB'000) | ERP revenues derived from regional channel partners (RMB'000) | SaaS revenues derived through regional channel partners (RMB'000) | Total revenues derived from and through regional channel partners as a percentage of our total revenues |
|---|---------------------------|---|--|--|---|---|---|---|
| <i>For the year ended December 31, 2017</i> | | | | | | | | |
| 1 | Group A ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 2-17 years | 37,764 | 20,921 | 16,843 | 6.5% |
| 2 | Group C ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 17 years | 26,440 | 8,894 | 17,546 | 4.6% |
| 3 | Group O ² | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 1-14 years | 20,828 | 8,112 | 12,716 | 3.6% |
| 4 | Group L | N/A | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 7-17 years | 16,765 | 9,326 | 7,439 | 2.9% |
| 5 | Group P ² | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 10-17 years | 11,647 | 6,050 | 5,597 | 2.0% |

BUSINESS

| | | | | | | | | Total revenues derived from and through regional channel partners as a percentage of our total revenues |
|--------------------------------------|---------------------------|---|--|--|---|---|---|---|
| Rank | Regional Channel Partners | Relationship with our group | Type of product/ services purchased | Approximate years of business relationship as of the latest practicable date | Total revenues derived from and through regional channel partners (RMB'000) | ERP revenues derived from regional channel partners (RMB'000) | SaaS revenues derived through regional channel partners (RMB'000) | |
| For the year ended December 31, 2018 | | | | | | | | |
| 1 | Group A ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 2-17 years | 65,138 | 33,092 | 32,046 | 7.1% |
| 2 | Group C ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 17 years | 42,356 | 18,827 | 23,529 | 4.6% |
| 3 | Group O ² | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 1-12 years | 35,181 | 16,460 | 18,721 | 3.9% |
| 4 | Group B ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 7-13 years | 31,770 | 20,205 | 11,565 | 3.5% |
| 5 | Group L | N/A | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 7-17 years | 28,752 | 17,400 | 11,352 | 3.1% |

BUSINESS

| | | | | | | | | Total revenues derived from and through regional channel partners as a percentage of our total revenues |
|--------------------------------------|---------------------------|---|--|--|---|---|---|---|
| Rank | Regional Channel Partners | Relationship with our group | Type of product/ services purchased | Approximate years of business relationship as of the latest practicable date | Total revenues derived from and through regional channel partners (RMB'000) | ERP revenues derived from regional channel partners (RMB'000) | SaaS revenues derived through regional channel partners (RMB'000) | |
| For the year ended December 31, 2019 | | | | | | | | |
| 1 | Group A ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 2-17 years | 101,818 | 49,885 | 51,933 | 8.1% |
| 2 | Group C ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 17 years | 59,790 | 23,442 | 36,348 | 4.7% |
| 3 | Group B ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 7-13 years | 49,694 | 33,262 | 16,432 | 3.9% |
| 4 | Group O ² | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 1-12 years | 47,141 | 18,680 | 28,461 | 3.7% |
| 5 | Group P ² | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 10-17 years | 35,390 | 19,315 | 16,075 | 2.8% |

BUSINESS

| | | | | | | | | Total revenues derived from and through regional channel partners as a percentage of our total revenues |
|---|---------------------------------|---|--|--|---|--|--|---|
| | Regional Channel Partners | Relationship with our group | Type of product/ services purchased | Approximate years of business relationship as of the latest practicable date | Total revenues derived from and through regional channel partners (RMB'000) | ERP revenues derived from regional channel partners (RMB'000) | SaaS revenues derived through regional channel partners (RMB'000) | |
| For the three months ended March 31, 2020 | | | | | | | | |
| 1 | Group A ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 2-17 years | 28,323 | 12,955 | 15,368 | 11.2% |
| 2 | Group C ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 17 years | 15,020 | 6,910 | 8,110 | 5.9% |
| 3 | Group B ¹ | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 7-13 years | 11,943 | 8,484 | 3,459 | 4.7% |
| 4 | Group O ² | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 1-12 years | 9,304 | 3,521 | 5,783 | 3.7% |
| 5 | Group Q | Held by our minority shareholder holding less than 1% of equity interest of our company | ERP solutions (including software licensing, product support services and value added services), and agents of SAAS products | 1-2 years | 9,011 | 1,751 | 7,260 | 3.6% |

Notes:

- (1) has the same meaning as used in the section headed “– Our Customers,” and was one of our top five customers during the Track Record Period.
- (2) refers to a group of regional channel partners of which the largest shareholders holding more than 30% equity interest in such regional channel partners are a couple.

Key Commercial Arrangements with Regional Channel Partners

Exclusivity

Our regional channel partners are contractually required to only serve us. To the best of our Directors' knowledge, all of our 69 regional channel partners only served us during the Track Record Period. We believe such commercial arrangement is mutually beneficial to both our regional channel partners and ourselves for the following reasons. On the one hand, our regional channel partners are willing to solely work with us due to the strong and increasing demand for our products in regional markets. Working solely with us allows such regional channel partners to develop a deep understanding of our software solutions, which in turn enables them to drive sales volume and increase sales rebate income. On the other hand, we leverage our strong market position to contractually require the selected regional channel partners to only serve us so as to gain a competitive edge and increase our market share in the regional markets.

As advised by Frost & Sullivan, it is consistent with the industry norm to have a network of regional channel partners who only serve a particular software solutions provider. Many regional channel partners in China, when first starting to work for a software solutions provider, viewed the exclusive partnership with a reputable software solutions provider like us as an attractive opportunity to rapidly grow their own businesses. Such regional channel partners typically agreed to only serve a particular software solutions provider in exchange for attractive commissions and rebates and were also motivated by the progressive promotion system offered by the software solutions provider. The software solutions provider, on the other hand, also benefits from such exclusive partnership, for it allows the software solutions provider to quickly establish a truly dedicated, trustful and stable distribution network.

Distinct Roles in Transactions and Accounting Treatments

Our regional channel partners play distinct roles in transactions with us due to the different nature of our ERP solutions and SaaS products.

With respect to our ERP solutions where our regional channel partners purchase the software license of our ERP solutions from us and resell them to our end customers, the relationship between regional channel partners and us is accordingly categorized as a seller-buyer relationship. In such cases, our regional channel partners act as principal sellers for transactions with our end customers. This is primarily because our regional channel partners typically play a more important role in serving end customers of our ERP solutions that we acquire through such regional channel partners. On the one hand, our ERP solutions typically require on-premise implementation in order to activate the software license on our customers' own systems. To the extent we leverage our regional channel partners to sell our ERP solutions, our regional channel partners, due to their geographic proximity, are responsible for providing implementation services to our end customers following our manual and guidelines. On the other hand, our ERP solutions, once deployed and effectively integrated with our end customers' own databases and systems, can be operated independently from us.

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Despite the ongoing product support services and subsequent value-added services offered by us to our end customers, such services are not mandatorily required for the daily operations of our ERP solutions. Accordingly, we regard our regional channel partners as direct buyers of our ERP solutions. Under this business model, we recognize revenues generated from sales of software license of our ERP solutions to our regional channel partners at the amounts billed to such regional channel partners.

With respect to our SaaS products, our regional channel partners act as our agents for the sales of our SaaS products. This is primarily because our SaaS products do not require any substantive implementation or other services independently provided by our regional channel partner and we are responsible for operating and maintaining the cloud infrastructure on which our SaaS products and related services are premised, regardless of whether such SaaS products are sold through our direct sales force or regional channel partners. Accordingly, we recognize revenues generated from sales of our SaaS products through our regional channel partners at the gross amounts billed to end customers, and the commission expenses paid to such regional channel partners are recognized as part of our selling and marketing expenses.

How We Compensate Regional Channel Partners

ERP Solutions

We grant our regional channel partners different levels of discounts ranging from 50% to 65% for the sales of software license of our ERP solutions, based on their sales performance.

For illustrative purpose, the following table sets forth a weighted average discount rate that we granted to our regional channel partners during the Track Record Period, which is calculated by dividing (i) the aggregate amount of the discounts offered to each of the relevant regional channel partners for their sales of software license of our ERP solutions in the same period, by (ii) the total gross sales amount (namely without discounts) calculated based on the standard price of such software license sold to such regional channel partners in a given period.

| | For the year ended December 31, | | | For the three months ended |
|--|---------------------------------|-------|-------|----------------------------|
| | 2017 | 2018 | 2019 | March 31, 2020 |
| Weighted Average Discount Rates | 63.1% | 63.3% | 62.9% | 62.6% |

We believe the discount rates that we offer to our regional channel partners are reasonable and fair based on the following grounds:

- First, as an industry pioneer, we commenced our ERP business when the real estate software solutions market in China as a whole was at its nascent stage. Our ERP solutions were initially priced at a relatively low level due to the strong bargaining power of large property developers who mostly relied upon existing ERP solutions sourced from other large generic software providers or their self-developed IT system before they were convinced to switch to our ERP solutions. Therefore, we granted our regional channel partners considerable incentives by way of discounts to effectively motivate them to market and sell our products and compete with other comparable products to drive the initial acceptance of our ERP solutions.
- Second, as we continue to expand our geographic reach and penetrate into lower-tier and more fragmented regional markets to acquire new property developers, we believe the discount rates granted to our regional channel partners are reasonable and necessary to motivate them to help us quickly scale our presence in such fragmented regional markets.
- Finally, we also determined our discount rates by referencing the rates charged by other comparable market players in order to maintain our competitiveness.

As confirmed by Frost & Sullivan, we believe the discount rates we offered for ERP solutions during the Track Record Period are in line with the industry norm. As we continue to enhance our leading position in the market and improve our bargaining power, we have been and will continue optimizing our discount rates to ensure our sustainable growth.

SaaS Products

We compensate our regional channel partners by offering them commissions for the sales of our SaaS products, which include, in addition to different levels of product sales rebates ranging from 35% to 65% which is the largest component of the total commission expenses, one-off performance incentives and fixed product delivery commissions. With respect to renewal of subscription of our SaaS products by end customers, we also grant the relevant regional channel partners sales rebate at applicable rates. During the Track Record Period, the sales rebate rate that we granted to most of our regional channel partners ranged from 50% to 65%.

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The following table sets forth the total commission expenses paid by us to our regional channel partners of SaaS business during the Track Record Period in both absolute amounts and as a percentage of the total SaaS revenues.

| | For the year ended December 31, | | | | | | For the three months ended March 31, | |
|------------|---------------------------------------|------|-------|------|-------|------|--------------------------------------|------|
| | 2017 | | 2018 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % |
| | | | | | | | (unaudited) | |
| | (RMB in millions, except percentages) | | | | | | | |
| Commission | | | | | | | | |
| Expenses | 77.1 | 77.9 | 141.8 | 74.9 | 202.1 | 68.0 | 50.8 | 64.4 |

We believe the sales rebates we currently offer to our regional channel partners are reasonable and fair based on the following grounds: (i) our SaaS products are still at an early stage of development, when significant investments in sales and marketing efforts are instrumental to establish compelling competitive edges, and we believe the sales rebates granted to our regional channel partners are necessary to incentivize their sales and marketing efforts in order to rapidly drive the customer acceptance of our SaaS products, which is crucial to the future profitability and sustainability of our fast growing SaaS business, and (ii) such sales rebates are on normal commercial terms and in line with the industry norm, as confirmed by Frost & Sullivan.

Profitability Analysis by Sales Channel

We actively track and separately evaluate the overall profitability of our ERP solutions and SaaS products to ensure the long-term profitable growth of both segments. As confirmed by our Reporting Accountant, since neither business segment is managed and tracked in a way that all costs and expenses are identifiable and separable by sales through our direct sales force versus regional channel partners, we cannot separately track the profitability of either ERP solutions or SaaS products by sales channel.

Specifically, for each of our ERP and SaaS segments, it is impracticable for us to fairly and accurately allocate our costs and expenses by sales channel as a substantial portion of such costs and expenses are incurred in connection at our group level for services provided to all of our end customers, regardless of whether such end customers are acquired by our direct sales force or regional channel partners. To illustrate this, the costs associated with the product support services and value-added services of our ERP solutions mainly consist of staff costs relating to our own technical and service professionals and other third-party vendors. Such costs cannot be accurately allocated by sales channel as we cannot separate the time and work our staff or other vendors contribute to end customers acquired by our direct force versus regional channel partners. Similarly, research and development expenses incurred in connection with our product and technology development and general and administrative expenses incurred at the group level are also inseparable between different sales channels.

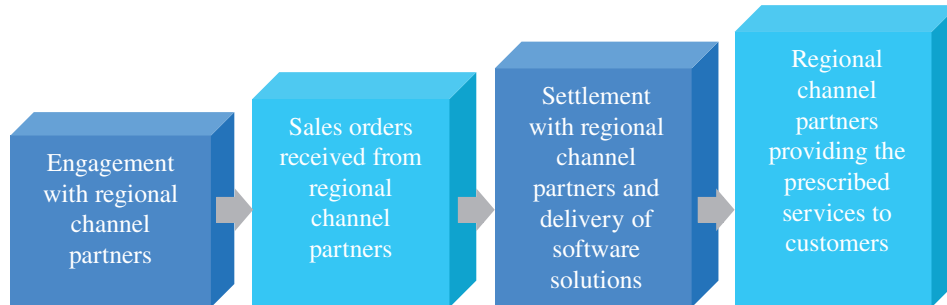
To evaluate the effectiveness and cost efficiency of our regional channel partner network, we primarily focus on (i) the weighted average discount rates with respect to ERP solutions and (ii) total commission expenses both in absolute amounts and as a percentage of our total SaaS revenues with respect to SaaS products, *while* balancing their impacts on the overall profitability of our ERP solutions and SaaS products.

- With respect to our ERP solutions, the weighted average discount rate was 63.1%, 63.3%, 62.9% and 62.6% in 2017, 2018 and 2019 and the first quarter of 2020, respectively. Our weighted average discount rates remained stable during the Track Record Period, and are anticipated to remain stable in the near term given we do not intend to materially change our current discount framework that is proven to be effective in incentivizing our regional channel partners. Despite the increased percentages of sales through regional channel partners as a result of our continuous penetration into regional markets, the overall net profit margin of ERP solutions remained stably healthy at 36.4%, 34.7% and 36.2% in 2017, 2018 and 2019, respectively, which was largely attributable to our improved economies of scale and improved operating efficiency.
- With respect to our SaaS products, the commission expenses paid by us to our regional channel partners for SaaS business amounted to RMB77.1 million, RMB141.8 million, RMB202.1 million and RMB50.8 million, respectively, representing 77.9%, 74.9%, 68.0% and 64.4% of the total SaaS revenues generated from regional channel partners in 2017, 2018 and 2019 and the first quarter of 2020, respectively. During the Track Record Period, such commission expenses as a percentage of the total SaaS revenues steadily decreased. As we continue to rapidly scale our SaaS business in regional markets, we expect our commission expenses as a percentage of the total SaaS revenues to continue to decrease, leading to improved profitability of our SaaS business. As a proof of our improved economies of scale (which was partly attributable to the rapid growth driven by regional channel partners), the net loss margin for our SaaS products substantially decreased from 28.4% in 2017 to 8.2% in 2019, and from 23.1% for the three months ended March 31, 2019 to 6.1% for the three months ended March 31, 2020.

As we continue to focus on driving top-line growth in the near future to scale our business, our management will closely and prudently manage the overall profitability of each of our ERP and SaaS segments as a whole, taking into consideration the distinct costs and expenses structures under different sales channels. Going forward, our management will continue to dynamically monitor and optimize the allocation of our sales and marketing resources based to our business expansion plans at different growth stages, with a view to achieving an optimal balance of rapid revenue growth and sustainable profitability at scale.

Business Process Overview

The following diagram illustrates the business process of sales through regional channel partners.



- *Engagement with regional channel partners.* Upon acknowledging their intention to become a regional channel partner with us, we interview qualified candidates and make engagement decisions based on their work experience and skill sets. Our engagement process includes review of (i) necessary business qualifications and licenses, (ii) historical performance including a review of their sales performance and customer feedback, (iii) background search results and (iv) physical meetings and assessment and review of prior record on compliance with applicable laws and regulations. We believe these measures are effective to minimize our exposure to any bribery, corrupt practices or other improper conduct that could harm our reputation and business.
- *Sales orders received from regional channel partners.* Once approved by us, our regional channel partners are responsible for generating sales leads and marketing and selling our ERP solutions and SaaS products to end customers in regional markets where we do not maintain a direct sales force. We then receive sales orders from regional channel partners and commence preparation of our software solutions for delivery to the relevant regional channel partners or end customers in regional markets, as the case may be, based on our manual and guidelines.
- *Delivery of software solutions and settlement.* We typically request full upfront payment from regional channel partners before delivering our ERP solutions and SaaS products to them. With respect to our ERP solutions, we recognize revenues upon delivery of software dongles to regional channel partners. With respect to our SaaS products, we recognize revenues ratably over the contract terms.

- *Provision of prescribed services to customers*
 - *Implementation services.* To the extent we leverage our regional channel partners to sell our ERP solutions, our regional channel partners are responsible for providing implementation services to end customers in regional markets following our manual and guidelines. We provide implementation services to our end customers who subscribe for our SaaS products sold directly by us or, in certain cases, through our regional channel partners, and we do not charge our regional channel partners any additional fees for implementation services provided by our regional channel partners.
 - *Value-added services.* In cases where our regional channel partners receive value-added service requests from customers with respect to our ERP solutions and decide to refer such requests to us, they will submit such requests to our research and development center for centralized processing. We then assign and dispatch our technical specialists to our regional channel partners, who pay us for the requested value-added services carried out by our technical specialists. The service fees we charge our regional channel partners are determined based on factors including the type of customized value-added services provided by us, the number of our technical specialists staffed on a given project and the duration of such services. In cases where value-added services are delivered by our regional channel partners (whether through their own staff or our technical specialists deployed by such regional channel partners), we do not directly charge our end customers any fees.

Key Contractual Terms with Regional Channel Partners

Set forth below are the key contractual terms of our agreements with regional channel partners. For the avoidance of doubt, such contractual terms also apply to both the 16 regional channel partners that were owned by six of our former employees and the 41 regional channel partners, 13 individual shareholders of which held an aggregate of less than 2% interest in our Company as of March 31, 2020.

- *Term and termination.* The regional channel partner agreement typically has a term of one year, subject to early termination by us if the regional channel partner breaches its obligations under the agreement. The term of the contract can be renewed by mutual agreement.
- *Designated geographic regions.* We designate the geographical area within which our regional channel partners are allowed to market and sell our software solutions. A channel partner is generally prohibited from marketing and selling our software solutions outside its designated area.

- *Designated sales and service team.* We require each regional channel partner to set up a designated sales and service team, consisting of human resources, marketing, product and customer service personnel, to ensure the quality of services and the effectiveness of sales activities.
- *Pricing guidance.* We provide price guidance on our ERP solutions and SaaS products to our regional channel partners based on market conditions. With respect to our ERP solutions, regional channel partners are encouraged to on-sell our products at prices in accordance with our price guidance. With respect to our SaaS products, regional channel partners are required to follow our price guidance. In the event our regional channel partners fail to do so and sell our SaaS products at a premium over our price guideline, we are entitled to take rectifying measures according to contract terms.
- *Purchase and sales targets.* We do not require regional channel partners to meet any minimum purchase target during the term of their engagement. With respect to sales targets, our regional channel partners are required to reach annual sales targets tailor-made for different software solutions as specified in the agreement. Should regional channel partners fail to meet the sales targets, we may discontinue our business relationship with them.
- *Payment and settlement.* Regional channel partners are generally required to make full upfront payment to us before we activate products and services. We generally settle payments with our regional channel partners by bank transfer.
- *Discounts for ERP solutions.* We grant our regional channel partners different levels of discounts off the standard prices of software license of our ERP solutions ranging from 50% to 65%, based on their sales performance. The weighted average discount rate that we grant to our regional channel partners, which is calculated by dividing (i) the aggregate amount of the discounts offered to each of the relevant regional channel partners for their sales of software license of our ERP solutions in the same period, by (ii) the total gross sales amount (namely without discounts) calculated based on the standard price of such software license sold to such regional channel partners in a given period, remained relatively stable at 63.1%, 63.3%, 62.9% and 62.6% in 2017, 2018 and 2019 and the first quarter of 2020, respectively. We anticipate our weighted average discount rate to remain stable in the near term given we do not intend to materially change our current discount framework that is proven to be effective in incentivizing our regional channel partners.
- *Commissions for SaaS products.* We compensate our regional channel partners by offering them commissions for the sales of our SaaS products, which include, in addition to different levels of product sales rebates ranging from 35% to 65% is the largest component of the total commission expenses, one-off performance incentives and fixed product delivery commissions. With respect to renewal of subscription of our SaaS products by end customers, we also grant the relevant regional channel

partners sales rebate at applicable rates. During the Track Record Period, the sales rebate rate that we granted to most of our regional channel partners ranged from 50% to 65%. In 2017, 2018 and 2019 and in the first quarter of 2020, we incurred commission expenses of RMB77.1 million, RMB141.8 million, RMB202.1 million and RMB50.8 million, respectively, representing 77.9%, 74.9%, 68.0% and 64.4% of the total SaaS revenues generated from regional channel partners during the same periods. We expect our commission expenses as a percentage of the total SaaS revenue to continue decreasing as we scale our SaaS business and improve our operating efficiency.

- *Return policy.* We do not have a formal return policy. We had not experienced any material product return during the Track Record Period.
- *Sub-distributors.* Regional channel partners are prohibited from engaging sub-distributors to promote our software solutions without our prior written consent. During the Track Record Period, our regional channel partners had not engaged any sub-distributors based on our knowledge.
- *Exclusivity.* Regional channel partners are prohibited from marketing or selling any product that competes with ours during the term of the agreement.

During the Track Record Period, we did not experience any material breach of the contract terms by our regional channel partners or any material dispute with them.

Robust Management of Regional Channel Partners

Maintaining a robust network of regional channel partners and an effective cooperative relationship with them is crucial to our ability to drive sales results and ensure customers' satisfaction. We manage and ensure the business performance and compliance of our regional channel partners in the following ways:

- *Grading system and performance review.* We have established a comprehensive grading system to manage the discounts for software licensing of our ERP solutions and sales rebates for our SaaS products paid to regional channel partners. Regional channel partners are graded based on their overall performance under five classes, each of which represents a distinct level of discount or sales rebate rate the particular class of regional channel partners is entitled to. In addition to maintaining regular communications, we formally evaluate the overall performance of our regional channel partners on an annual basis, and upgrade or downgrade regional channel partners based on their annual performance in a given year. We believe that such grading system effectively ensures that the discounts and sales rebate rates we grant to regional channel partners are reasonable and fair to the extent they properly compensate the overall performance of such regional channel partners. Management of our regional channel partners are required to attend regular meetings with our senior management to report their performance results and discuss their business

plans as part of our growth strategies in each relevant product and geographic market. Furthermore, through our end customers' feedbacks, we are able to obtain meaningful insights into the relationships between regional channel partners and such end customers.

- *Competition management.* Our regional channel partners are prohibited from selling or promoting in geographical regions beyond those specifically designated by us. When we receive any complaints of such violations from customers or other regional channel partners, we will promptly conduct investigations and have the right to penalize such regional channel partners by terminating the business relationship with them.
- *Anti-cannibalization management.* We take the following measures to prevent cannibalization among regional channel partners: (i) we specify in the sales agreements the designated areas for the respective regional channel partners and prohibit them from selling or promoting in other areas, and (ii) we have adopted and implemented a set of rules, procedures and dispute resolution guidelines to avoid cannibalization among our regional channel partners within the same designated areas or across different areas.
- *Brand management.* We have registered trade name “明源” in China. During the term of the agreement, regional channel partners are authorized to use our trade name “明源” in their registered company name. Regional channel partners are prohibited from licensing our trade name “明源” to any third parties or using them in any unauthorized manner.
- *Pricing management.* We provide price guidance on our ERP solutions and SaaS products to our regional channel partners based on market conditions. With respect to our ERP solutions, our regional channel partners are encouraged to on-sell our products at prices in accordance with our price guidance. With respect to our SaaS products, regional channel partners are required to follow our price guidance. In the event our regional channel partners fail to do so and sell our SaaS products at a premium over our price guideline, we are entitled to take rectifying measures according to the contract terms.
- *Inventory risk management.* We are not subject to any material inventory risk as our regional channel partners are generally required to settle payment with us before we deliver our ERP solutions and SaaS products and provide the prescribed services, such as product support services and value-added services, to them or to the end customers, as the case may be. Similarly, we believe that our regional channel partners are not subject to any material inventory risks either because they typically only enter into contracts with us to procure software solutions after they enter into sales contracts with our end customers. We require regional channel partners to promptly provide a copy of the executed service agreements they entered into with the end customers before we deliver the prescribed software solutions to such

regional channel partners, which allows us to effectively verify, monitor and understand the transactions and relationships in general between the regional channel partners and the relevant end customers.

- *Business Integrity.* As part of our corporate culture, we are committed to the highest levels of business integrity in our daily operations, particularly our sales and marketing activities carried out through our regional channel partner network. Internally, we have put in place a comprehensive code of business conduct and ethics and anti-fraud policy to monitor the business conduct of our own employees when they interact with our regional channel partners. Our anti-fraud policy explicitly prohibits any bribery, corruption and other misconducts of our employees, and we have taken a variety of robust measures to manage and control related risks. Such measures mainly include providing trainings on business integrity and legal compliance to our employees (particularly those involved in sales and marketing), periodically evaluating potential risks of fraud and non-compliance, and providing various channels for our employees to report fraud, illegal activities and other misconducts. Our legal staff and senior management work closely to continuously enhance such internal control measures to eliminate any material risks of corruption. Externally, we closely monitor the business conduct of our regional channel partners when they deal with our end customers. All of our regional channel partners are contractually required to strictly comply with all applicable laws and regulations, including anti-bribery laws and regulations, when conducting any sales and marketing activities. In addition, we require our regional channel partners to promptly provide a copy of the executed service agreements they entered into with the end customers which we review carefully to not only ensure its authenticity but also identify any irregularities that may call into questions the underlying transactions between the regional channel partners and our end customers. Furthermore, we value our end customers' feedback on the business performance of and their interactions with regional channel partners and allow our end customers to report non-compliance matters to our attention. In the event any illegal and/or fraudulent act is identified or reported, we will take immediate actions to investigate the relevant employees or regional channel partners and have the right to terminate the collaboration according to our agreements with regional channel partners and seek indemnity for losses incurred due to their misconduct.
- *Marketing training and technological support.* We provide marketing training and technological support to our regional channel partners during the term of their engagement (which typically lasts one year), including product and technical training, sales and marketing techniques training, information support and technology support, to assist regional channel partners to expand effectively in regional markets.

Monitoring of Business Relationships and Transactions between Regional Channel Partners and End Customers

Our regional channel partners are mainly responsible for developing and maintaining business relationships with our end customers in regional markets outside of tier-1 cities in China where our direct sales teams do not cover. We implement comprehensive internal control measures (which apply to both our ERP and SaaS businesses) to actively and regularly monitor the business relationships and transactions between our regional channel partners and end customers, in order to (i) ensure our leverage and control over our regional channel partners and (ii) sell our ERP solutions and SaaS products to and serve our end customers with the same high quality and compliance standards applicable to our direct sales force. Summarized below are the key measures that we have implemented to advance this goal for both ERP and SaaS businesses:

- We have established a centralized customer relationship management system, which helps us identify, verify and manage our end customers. For every new end customer acquired by our direct sales force or regional channel partners, we collect its background information, such as name, contact information, customer types, market position, product/service needs, and progress of contract signing process, among others. We verify the information we collected through various sources, including the end customers' business registration information, before we enter such information into our centralized customer relationship management system.
- We require our regional channel partners to promptly provide a copy of the executed service agreements they entered into with the end customers before we deliver the prescribed software solutions to such regional channel partners, which allows us to effectively verify, monitor and understand the transactions and relationships in general between the regional channel partners and the relevant end customers.
- We provide ongoing marketing training and technological support to our regional channel partners during the term of their engagement, including product and technical training, sales and marketing techniques training, information support and technology support, to assist regional channel partners to serve our end customers with consistent high quality as we expand our presence in regional markets across China.

With respect to our SaaS products which are standard software products involving a relatively lower degree of customization, we directly interact with end customers acquired through our regional channel partners during product implementation and ongoing support, and therefore have full visibility into the business relationships between our regional channel partners and end customers of our SaaS products and their satisfaction of services provided by our regional channel partners.

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With respect to our ERP solutions, since we do not directly interact with end customers acquired by our regional channel partners with respect to our ERP solutions on a daily basis, we have implemented heightened control measures and taken additional steps to monitor their business relationships and enhance customer satisfaction, which include but not limited to the following:

- We examine and analyze customer feedbacks that we collect from the end customers that subscribed for our ERP solutions through our annual customer surveys and at various industry events organized or sponsored by us (which are participated by senior business managers and executives of end customers of our ERP solutions), and we take into account such customer feedbacks when we evaluate the overall performance of our regional channel partners on an annual basis.
- We provide ongoing product support services for our ERP solutions to our end customers acquired through our regional channel partners to offer consistent, attracting customer experience to our end customers. When delivering implementation and other prescribed services to end customers of our ERP solutions, our regional channel partners are required to follow our ERP implementation plans and guidelines to ensure the smooth and effective integration of our ERP solutions with the business systems and databases of our end customers.

OUR CUSTOMERS

We have a broad base of end customers who are predominantly property developers. For purposes of disclosure in this section headed “– Our Customers,” customers, different from “paying end group customers” defined in the section headed “Glossary of Technical Terms” in this prospectus, refer to entities from which we directly generated revenues during the Track Record Period, which include (i) direct sales customers of both ERP solutions and SaaS products; (ii) regional channel partners to whom we sell ERP solutions; and (iii) paying end group customers who purchase SaaS products from regional channel partners. During 2017, 2018 and 2019 and the three months ended March 31, 2020, we did not have any substantial reliance on any single customer. Revenues generated from our five largest customers accounted for 11.6%, 12.9%, 12.9% and 15.3%, respectively, of our total revenues during the same periods. In 2017, 2018 and 2019 and the three months ended March 31, 2020, some of these five largest customers were our regional channel partners who procured ERP solutions directly from us. The revenues generated from sales of our SaaS products through our regional channel partners who were also our five largest customers in 2017, 2018 and 2019 and the three months ended March 31, 2020, respectively, accounting for 2.9%, 7.4%, 5.4% and 10.6% of our total revenues in the same periods.

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The table below sets forth the details of our five largest customers during the Track Record Period.

| Rank | Customers | Type of products/ services purchased | Principal business | Approximate years of business relationship as of the Latest Practicable Date | Revenue amount (RMB'000) | Percentage of our total revenue |
|---|------------|--|--|--|--------------------------------|---------------------------------------|
| <i>For the year ended December 31, 2017</i> | | | | | | |
| 1 | Group A* | ERP solutions (including software licensing, product support services and value-added services) | Sales and marketing of software solutions | 5-17 years | 20,921 | 3.6% |
| 2 | Customer F | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate investment, development and operations | 10 years | 14,934 | 2.6% |
| 3 | Customer G | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate development and operations and property management | 9 years | 10,862 | 1.9% |
| 4 | Customer H | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate development and operations, hotel management and property management | 9 years | 10,564 | 1.8% |

BUSINESS

| Rank | Customers | Type of products/ services purchased | Principal business | Approximate years of business relationship as of the Latest Practicable Date | Revenue amount (RMB'000) | Percentage of our total revenue |
|---|------------|--|---|--|--------------------------------|---------------------------------------|
| 5 | Customer I | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate development and leasing, construction, hotel management and property management | 10 years | 10,196 | 1.8% |
| <i>For the year ended December 31, 2018</i> | | | | | | |
| 1 | Group A* | ERP solutions (including software licensing, product support services and value-added services) | Sales and marketing of software solutions | 2-17 years | 33,163 | 3.6% |
| 2 | Customer I | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate development and leasing, construction, hotel management and property management | 10 years | 27,174 | 3.0% |
| 3 | Group B* | ERP solutions (including software licensing, product support services and value-added services) | Sales and marketing of software solutions | 7-13 years | 20,208 | 2.2% |
| 4 | Group C* | ERP solutions (including software licensing, product support services and value-added services) | Sales and marketing of software solutions | 17 years | 18,827 | 2.1% |

BUSINESS

| Rank | Customers | Type of products/ services purchased | Principal business | Approximate years of business relationship as of the Latest Practicable Date | Revenue amount (RMB'000) | Percentage of our total revenue |
|---|------------|--|---|--|--------------------------------|---------------------------------------|
| 5 | Customer F | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate investment, development and operations | 10 years | 18,726 | 2.1% |
| <i>For the year ended December 31, 2019</i> | | | | | | |
| 1 | Group A* | ERP solutions (including software licensing, product support services and value-added services) | Sales and marketing of software solutions | 2-17 years | 49,924 | 3.9% |
| 2 | Group B* | ERP solutions (including software licensing, product support services and value-added services) | Sales and marketing of software solutions | 7-13 years | 33,268 | 2.6% |
| 3 | Customer F | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate investment, development and operations | 10 years | 32,000 | 2.5% |
| 4 | Customer I | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate development and leasing, construction, hotel management and property management | 10 years | 24,588 | 1.9% |

BUSINESS

| Rank | Customers | Type of products/ services purchased | Principal business | Approximate years of business relationship as of the Latest Practicable Date | Revenue amount (RMB'000) | Percentage of our total revenue |
|--|------------|--|---|--|--------------------------------|---------------------------------------|
| 5 | Customer J | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate investment and development, and property management and hotel management | 5 years | 23,778 | 1.9% |
| <i>For the three months ended March 31, 2020</i> | | | | | | |
| 1 | Group A* | ERP solutions (including software licensing, product support services and value-added services) | Sales and marketing of software solutions | 2-17 years | 12,967 | 5.1% |
| 2 | Group B* | ERP solutions (including software licensing, product support services and value-added services) | Sales and marketing of software solutions | 7-13 years | 8,484 | 3.3% |
| 3 | Group C* | ERP solutions (including software licensing, product support services and value-added services) | Sales and marketing of software solutions | 17 years | 6,910 | 2.7% |
| 4 | Customer I | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate development and leasing, construction, hotel management and property management | 10 years | 5,694 | 2.2% |

BUSINESS

| Rank | Customers | Type of products/ services purchased | Principal business | Approximate years of business relationship as of the Latest Practicable Date | Revenue amount (RMB'000) | Percentage of our total revenue |
|------|------------|--|--|--|--------------------------------|---------------------------------------|
| 5 | Customer K | ERP solutions (including software licensing, product support services, implementation services and value-added services) and SaaS products | Real estate development and operations and property asset management | 9 years | 4,717 | 1.9% |

Note:

- * Refers to a group of regional channel partners of which the largest shareholder holding more than 30% equity interest in such regional channel partners, respectively, is the same individual shareholder. To the best of our Directors' knowledge, there is no material past or present relationship between each of the regional channel partners and entities included in Group A, Group B and Group C, and the Company and its subsidiaries, their shareholders, directors, senior management, or any of their respective associates except that: (i) the common controlling shareholder of Group A, Group B and Group C, respectively, held approximately 0.3%, 0.2% and 0.2% equity interest in our Company as of March 31, 2020, and (ii) a shareholder who is interested in 30% of a regional channel partner grouped under Group C, is a shareholder holding approximately 35% of an entity holding approximately 21.6% in an investee of our Company, in which our Company holds approximately 2.16%.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our customers were Independent Third Parties.

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

In our ongoing efforts to enhance customer satisfaction and improve service quality, we maintain a dedicated customer support and service team that is focused on real-time problem-solving with the ultimate goal of increasing user experience and customer stickiness.

Case Studies

Company X

Background

Company X is a top 30 property developer in China with presence in over 100 cities in China. Based on public information, as an industry pioneer in technology advancement, Company X seeks the best-in-class software solutions to digitalize and optimize all of its key business processes over the internet, including customer relationship management, cost management and procurement. Company X has since our initial cooperation been benefitting from our ERP solutions and multiple SaaS products, increasing its spending on our comprehensive, industry-specific offerings.

Solutions and Results

Company X first adopted the *Sales Management Solution* of our ERP solutions to digitalize and streamline its sales and marketing process. Benefitting from measurable business results, Company X further expanded its subscription of our ERP solutions to adopt our *Cost Control Solutions*, which transformed its manual, spreadsheet-driven cost management process into one that was digitalized, coordinated and intelligent. Since then, Company X has deployed all key functions offered by our ERP solutions and subscribed for our *CRM Cloud (雲客)* and *Construction Cloud (雲鏈)* for a complete online transformation of its sales and marketing and property construction processes. Recently, Company X was upgrading to adopt the latest cloud-based version of our ERP solutions to benefit from its enhanced scalability and integration capabilities.

Company Y

Background

Headquartered in Shanghai, Company Y is a property developer focused on selected first- and second-tier cities in China. Striving to improve operational efficiency, Company Y seeks comprehensive software solutions to manage its complex business operations. In 2008, it first deployed ERP solutions offered by a large generic software provider. In 2015, Company Y switched to our ERP solutions for its industry-specific functionality and superior user experience.

Solutions and Results

In 2015, Company Y decided to adopt the *Sales Management Solution* of our ERP solutions and *CRM Cloud (雲客)* to replace those offered by its existing generic software provider. Our ERP solutions and *CRM Cloud (雲客)* proved to be more effective in helping its sales force to manage customer relationships, track sales targets, optimize pricing strategies, and efficiently manage payment and settlement process. Convinced by the initial success with

our solutions, Company Y quickly expanded its relationship with us in 2016 by subscribing for additional solutions offered by us to replace all other major ERP functions offered by its existing generic software provider, including budgeting and cost management, contract management, and procurement.

Company Z

Background

As one of the 30,000 regional property developers in China, Company Z is an emerging player based in Yancheng, Jiangsu province. As a company looking to expand and grow across regions, Company Z started to digitalize and improve efficiency of its business operation which used to rely upon heavy manual intervention. To address this need, Company Z was looking for industry-specific, comprehensive software solutions that are capable of supporting its long-term growth.

Solutions and Results

In 2016, Company Z decided to deploy our ERP solutions and *CRM Cloud* (雲客). With our intelligent solutions, Company Z was able to accelerate the digital transformation of all of its key business functions such as sales and marketing of new properties over the internet, which resulted in increased productivity, lower costs, and improved internal controls. Our solutions also provide Company Z with real-time, actionable data insights that facilitate better and faster decision making.

OUR SUPPLIERS

Our suppliers primarily include cloud computing service providers, outsourcing software service providers, software dongle suppliers and smart device providers. Charges from our five largest supplier for the years ended December 31, 2017, 2018 and 2019 and for the three months ended March 31, 2020 accounted for 3.4%, 22.3%, 31.4%, and 27.0%, respectively, of our total purchases during those periods. The purchase amounts increased significantly from 2017 to 2018 mainly because we began to outsource a portion of our value-added services and product support services to third-party software service providers. Such services mainly include routine and standard software development and product maintenance services which we believe are more cost-effective to be performed by experienced third-party service providers based on our specifications and standards. In 2019, our largest supplier accounted for 9.5% in terms of our total purchases in the same year.

BUSINESS

The table below sets forth the details of our five largest suppliers during the Track Record Period.

| Rank | Supplier | Type of products/services provided | Principal business | Approximate years of business relationship as of the Latest Practicable Date | Purchase amount (RMB'000) | Percentage of our total purchase |
|---|------------|------------------------------------|---|--|------------------------------|----------------------------------|
| <i>For the year ended December 31, 2017</i> | | | | | | |
| 1 | Supplier A | Cloud computing services | Cloud computing and artificial intelligence services | 7 years | 1,393 | 1.2% |
| 2 | Supplier B | Software services | Software development and sales, information technology consulting services and sales of computers and other auxiliary equipment | 4 years | 1,223 | 1.0% |
| 3 | Supplier C | Software solutions | Software solutions and services | 2 years | 679 | 0.6% |
| 4 | Supplier D | Consulting services | Investment management, property management and commercial consulting services | 3 years | 528 | 0.4% |
| 5 | Supplier E | Software solutions | Software solutions | 5 years | 238 | 0.2% |
| <i>For the year ended December 31, 2018</i> | | | | | | |
| 1 | Supplier F | Software development services | Information technology services | 4 years | 15,450 | 8.7% |
| 2 | Supplier G | Software development services | Software development and services | 4 years | 10,557 | 6.0% |
| 3 | Supplier H | Software development services | Software solutions | 4 years | 9,027 | 5.1% |

BUSINESS

| Rank | Supplier | Type of products/services provided | Principal business | Approximate years of business relationship as of the Latest Practicable Date | Purchase amount (RMB'000) | Percentage of our total purchase |
|--|------------|---|--|--|------------------------------|----------------------------------|
| 4 | Supplier A | Cloud computing services | Cloud computing and artificial intelligence services | 7 years | 2,666 | 1.5% |
| 5 | Supplier I | Software development services | Information technology services | 3 years | 1,722 | 1.0% |
| <i>For the year ended December 31, 2019</i> | | | | | | |
| 1 | Supplier G | Software development services | Software development and services | 4 years | 25,670 | 9.5% |
| 2 | Supplier F | Software development services | Information technology services | 4 years | 24,971 | 9.3% |
| 3 | Supplier J | Artificial intelligence and smart devices | Artificial intelligence services and related smart devices | 2 years | 17,403 | 6.5% |
| 4 | Supplier H | Software development services | Software solutions | 4 years | 9,991 | 3.7% |
| 5 | Supplier A | Cloud computing services | Cloud computing and artificial intelligence services | 7 years | 6,681 | 2.5% |
| <i>For the three months ended March 31, 2020</i> | | | | | | |
| 1 | Supplier G | Software development services | Software development and services | 4 years | 4,988 | 8.3% |
| 2 | Supplier F | Software development services | Information technology services | 4 years | 4,497 | 7.4% |

BUSINESS

| Rank | Supplier | Type of products/services provided | Principal business | Approximate years of business relationship as of the Latest Practicable Date | Purchase amount (RMB'000) | Percentage of our total purchase |
|------|------------|---|--|--|------------------------------|----------------------------------|
| 3 | Supplier A | Cloud computing services | Cloud computing and artificial intelligence services | 7 years | 4,246 | 7.0% |
| 4 | Supplier H | Software development services | Software solutions | 4 years | 1,471 | 2.4% |
| 5 | Supplier J | Artificial intelligence and smart devices | Artificial intelligence services and related smart devices | 2 years | 1,138 | 1.9% |

During the Track Record Period, we have not experienced any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, delay in delivery of our orders from our suppliers.

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

OUR TECHNOLOGY

Research and Development

Our vision and focus on innovation have fueled our growth and enabled us to continuously improve our existing offerings and develop new products and solutions. We believe a strong research and development capability is crucial to our continued success and ability to develop innovative product offerings to keep up with rapid development and advances in software technology. We closely attend to the needs of our customers and respond to their feedback and requests through developing new solutions or adding advanced or optimized features in existing solutions. We develop the core features of our solutions and products in-house and outsource others to our experienced partners, thereby benefiting from their expertise and optimize our costs. In 2017, 2018 and 2019 and for the three months ended March 31, 2020, we incurred RMB156.7 million, RMB218.1 million and RMB286.3 million and RMB64.5 million of research and development expenses, respectively.

Research and Development Team

We have established two research and development centers in Wuhan and Shenzhen, focusing on technology innovations and the research and development of our software solutions. As of March 31, 2020, we employed 994 innovative and dedicated research and development staff, representing 38.6% of our total number of employees.

Research and Development Process

Our development process for a new ERP solution, a new SaaS product or a major new update to existing solutions and products can be divided into four stages. The first three stages usually take two to six months for ERP solutions and around two weeks for SaaS products, while the final stage is an ongoing process.

- *Stage 1: Demand Analysis.* Our sales and marketing team take the lead on conducting market analysis to collect demand feedback from customers.
- *Stage 2: Product Design.* Design new solutions and products to address customers' needs.
- *Stage 3: Product Development on DevOps Platform.* Complete coding, testing and product launch on *DevOps Platform*.
- *Stage 4: Ongoing Optimization.* Make continuous efforts in research and development and technology innovations and continue to optimize functions and performance based on user feedback. Release updated versions with improved features and functionalities.

Our Technology Infrastructure and Capabilities

We are dedicated to providing customers with scalable and reliable infrastructure, secure and compliant cloud services and industry-leading technologies.

Technology Infrastructure

Our technology infrastructure is built on a highly scalable, cloud-based technology architecture through our cooperation with *Alibaba Cloud*, *Microsoft Azure* and other cloud computing service providers. Currently all of our cloud-based products and services are premised on Alibaba Cloud. In addition, like many other software providers in our industry, we also procured other generic IT services from third-party vendors such as Microsoft for our internal data storage. We believe we do not have any material impediment to switch our cloud computing service providers as we have adequate alternative sources for such services, which are commonly accessible in the market. We believe, and are concurred by Frost & Sullivan, switching between computing service providers is a straightforward process without significant time, switching cost or any material technical obstacles as the main services provided by

different service providers are generally homogeneous. According to Frost & Sullivan, the typical procedures for migration across cloud infrastructure include backing up data, testing servers and registering domain names, all of which can be completed easily online. Moreover, most computing service providers offer comprehensive solutions and customer support to facilitate data migration, which allows user to perform customized data migration by configuring the migration tasks as needed. In addition, the compatibility of our existing technology infrastructure and software solutions allows for swift transition and effective integration across the cloud infrastructure of different cloud computing service providers. Therefore, we do not expect any material technological issues or other hurdles for us to switch cloud computing service providers. Furthermore, the cloud-based technology that we use for our software solutions is embedded with our products instead of the cloud infrastructure provided by third-party service providers. Our cloud-based technology infrastructure allows us to process large volumes of data on a real-time basis and ensure high-speed and stable performances on a large scale to accommodate and support the increased complexity and diversity of our business operations. We have been enhancing our technology infrastructure by increasing the investment in third-party cloud computing services to ensure our cloud infrastructure can effectively address our growing business needs.

Our technology infrastructure is supported by servers in geographically dispersed data centers across China that are fault-tolerant, which ensures the high reliability of our platform. We also employ a highly redundant, horizontally scalable and shared architecture to ensure the resiliency and high availability of our technology infrastructure. In addition, we have in place a comprehensive set of contingency plans, such as our *Business Continuity Management Policy* (業務連續性管理制度), to manage potential risks of any emergency or service disruption. For example, according to our *Business Continuity Management Policy* (業務連續性管理制度), we backup our operating data regularly, and our staff responsible for database management perform daily inspection on our backup record to make sure all the operating data is properly archived. We also test the data recovery capability of our systems, which help us ensure our backup data can be completely retrieved. As of the Latest Practicable Date, we had not experienced any material service disruptions during the Track Record Period.

In addition to public cloud deployment, the cloud version of our ERP solutions also supports deployment on customers' private clouds to utilize their established IT infrastructure and better meet each customer's specific business needs.

Open Platform

We use microservice technology to build the cloud-based open architecture that serves as the foundation to our ERP solutions and SaaS products. This model has allowed us to leverage numerous third-party developers and business experts to build a growing number of apps in a short period of time based on the diverse needs of our customers. Our open architecture and application framework also facilitate the integration of customers' and third-party applications and databases into our solutions. In addition, we have built up a powerful *High Productivity Application PaaS*, or *HpaPaaS* platform. Our *HpaPaaS* platform is a low-code application platform, which supports rapid application development, one-step deployment, execution and

management using declarative, high-level programming abstractions, such as model-driven and metadata-based programming languages. It supports the development of user interfaces, business logic and data services, and improve productivity at the expense of portability across users, as compared with conventional application platforms. Leveraging our *HpaPaaS* platform, we are able to develop high-quality SaaS products and make product updates within a short period of time, catering to changing customers' needs and technology innovation. We also open up our *HpaPaaS* platform capabilities to third-party developers and business partners, encouraging them to provide innovative application for our customers, which we believe will enrich our products and technology ecosystem.

Our Technology Capabilities

We have continuously explored and invested in intelligent technologies such as AIoT, cloud computing, data analytics and virtual reality. We have built our proprietary AI algorithm and applied it in a variety of innovative smart devices in connection with our SaaS products. For example, our facial recognition technology embedded in smart cameras allow sales representatives using *CRM Cloud (雲客)* to immediately and accurately identify visitor in sales offices and enables construction contractors using *Construction Cloud (雲鏈)* to effectively manage construction worker attendance on construction sites. Through our smart POS terminals, a property purchaser's payment information can be seamlessly imported to a property developer's *CRM Cloud (雲客)* mobile app and ERP system in real time, which allows a payment settlement process to be accurately completed and recorded within seconds. We are also developing more cutting-edge technologies to provide customers with intelligent services, such as AI marketing, digital sales office sand table models and intelligent construction material and workforce management to further enhance the efficiency and performance of our customers' business operations. See “– Our Offerings – Our SaaS Products – Delivering Intelligent Solutions to Various Real Estate Industry Participants” for more information on the intelligent services we provide.

COMPETITION

We face competition in the market for software solutions to the real estate value chain primarily from other ERP solutions and SaaS products providers. The principal competitive factors in our industry include product functionality and scope, performance, scalability and reliability of services, technology capabilities, marketing and sales capabilities, user experience, pricing, brand recognition and reputation. In addition, new and enhanced technology may further increase competition in our industry. We believe that we are well-positioned to compete effectively on the basis of the foregoing factors.

Nevertheless, some of our existing competitors have greater name recognition, broader global footprint, longer operating histories, larger customer bases as well as greater financial, technical and other resources. See “Risk Factors – Risks Relating to Our Business and Industry – We operate in a competitive market and may not be able to compete successfully against our existing and future competitors” in this prospectus. For more information on the competitive landscape of our industry, see “Industry Overview.”

INTELLECTUAL PROPERTY

We regard our copyrights, trademarks, trade secrets and other intellectual property rights as critical to our business operations. In this regard, we rely primarily on a combination of patents, copyrights, trademarks, trade secret and unfair competition laws and contractual rights, such as confidentially agreement, to protect our intellectual property rights. We clearly state all rights and obligations regarding the ownership and protection of intellectual properties in all employment agreements and commercial agreements we enter into. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, and (iv) engaging professional intellectual property service providers.

As of the Latest Practicable Date, we had 211 registered software copyrights relating to our ERP solutions and SaaS products. In addition, we had registered three copyrights, two patents, 45 trademarks and 41 domain names in China and two trademarks in Hong Kong. For detailed information about our material intellectual property, see “Appendix IV. Statutory and General Information – B. Further Information about our Business – 2. Intellectual Property Rights of our Group.”

As of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC.

EMPLOYEES

As of March 31, 2020, we had 2,577 full-time employees, and 37.1% of our full-time employees were based in Shenzhen, while the remaining 62.9% of them were based in various other cities in the PRC. The following table sets forth the number of our full-time employees by function as of March 31, 2020.

| Function | Number of Employees | % of Total Number of Full-time Employees |
|--------------------------------|----------------------------|---|
| Research and development | 994 | 38.6% |
| Operations and product support | 909 | 35.3% |
| Sales and marketing | 465 | 18.0% |
| General and administrative | 209 | 8.1% |
| Total | 2,577 | 100% |

BUSINESS

Our success depends on our ability to attract, retain and motivate qualified employees. To this end, as part of our human resource strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels, including our corporate website and third-party employment websites. We provide regular training and reviews to our employees to enhance their performance.

As required by PRC laws and regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We or agents engaged by us are required under PRC laws and regulations to contribute to employee social security plans at specified percentages of the salaries, bonuses and certain allowances of our employees.

Our employees are not currently represented by any labor union. We believe that we maintain good working relationship with our employees and we have not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

Our headquarters is located at 501-509, East Block, Skyworth Semiconductor Design Building, 18 Gaoxin South 4th Road, Gaoxin Community, Yuehai Subdistrict, Nanshan District, Shenzhen, PRC.

As of the Latest Practicable Date, we owned 19 properties with an aggregate gross floor area of approximately 20,400 square meters. Our owned properties are primarily used as our research and development center in Wuhan and for office purposes. We have obtained all the requisite certificates and permits for our owned properties.

As of the Latest Practicable Date, we rent 14 properties from third parties in China with an aggregate gross floor area of approximately 12,961 square meters. Our properties on lease are primarily used as our research and development center in Shenzhen and for office purposes. As of the Latest Practicable Date, seven leasing agreements of our leased properties had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. Our PRC Legal Advisor has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in fines of up to RMB10,000 per leased property that is unregistered if we fail to rectify such noncompliance within the time frame prescribed by the relevant authorities. See “Risk Factors – Risks Relating to Our Business and Industry – We may be liable for failure to register and file our lease agreements, which may subject us to penalties.”

BUSINESS

As of March 31, 2020, none of the properties held by us had a carrying amount of 15% or more of our combined total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings.

INSURANCE

We do not maintain any business interruption insurance or product liability insurance. We also do not maintain key man life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We believe our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in China. See “Risks Factors – Risks Relating to Our Business and Industry – We may not have sufficient insurance coverage to cover our potential liability or losses, and our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.” in this prospectus.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

According to our PRC legal Advisor, our business operations had been carried out in compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We do not operate any production facilities. Therefore, we are not subject to significant health, safety or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. Corporate social responsibility is viewed as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing diversity and public interests. Accordingly, our Board of Directors has adopted a comprehensive policy on environmental, social and corporate governance responsibilities (the “**ESG Policy**”) in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations.

Under our ESG Policy, we aim to build a sustainable community with our employees, customers and business partners by supporting local initiatives that aim to create effective and lasting benefits to the local community, through various initiatives that may include corporate philanthropy, establishing community partnerships, and mobilizing our employees to participate in volunteer work. In addition, we also endeavor to reduce any negative impacts on the environment through our commitment to energy saving and sustainable development. We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace for all of our employees.

Although our business operations do not directly produce pollutants that directly affect the environment, we have implemented internal policies to reduce our carbon footprint such as reducing the energy consumption through:

- Installing energy efficient lighting and ensuring lights are switched off when out of use either manually or through automatic sensors;
- Requiring double-sided printing of documents throughout our offices;
- Switching off certain IT equipment or automatic power shutdown for certain systems and devices; and
- Air conditioning controls, with measures including requirements on lowest temperature, regular maintenance of air cooling technologies and optimal timing controls.

Our Board of Directors has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board of Directors

may assess or engage independent third party(ies) to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as information technology, financial reporting, and internal control. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiaries and functional departments.

Data Privacy and Information Security Risk Management

We pay close attention to risk management relating to our information technology, as storage and protection of our customer data and related information is critical to us. To ensure data security, we have adopted a rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, stringent requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols:

- provide limited authorization to our employees holding specific positions at specific levels to access and process customer data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment;
- require our employees to obtain customers' written authorizations before performing any customer requests; and
- require our product support specialists to operate through the jump servers remotely deployed on the customers' end in order for us to monitor and audit the relevant operations. We also designate data security personnel to conduct monthly audit based on video logs of our employee's operational activities, and remedial measures will be taken immediately according to the internal protocols if any violation of the internal protocols is identified during the monthly audits.

We also provide data privacy trainings to employees on a periodic basis to increase their compliance awareness. In addition, employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work and customers without our consent.

We also have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. In addition, we conduct data restore tests to examine the status of the backup system on a regular basis. Furthermore, we have set up a specialized information security team which is directly lead by Mr. Wu Guoxi (吳國喜), our officer responsible for information security. The information security team is responsible for inspecting and reporting any suspicious data deriving and transmitting activities, as well as enhancing our data protection system pursuant to the changes of laws and regulations and technology development. Meanwhile, this team takes charge of reviewing, discussing and improving our technologies in managing information security and our internal control system to ensure adequate protection is given to our data.

Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers, regional channel partners, and suppliers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient. We have an employee code of conducts in place, which contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery and anti-corruption. We provide our employees with regular training and resources to explain the guidelines contained in the employee code of conducts.

Financial Reporting Risk Management

We have in place a set of policies in connection with our financial reporting risk management, such as financial reporting management, internal audit, investment management, and budget management. We also have procedures in place to implement such policies, and our financial department reviews our management accounts and internal control procedures based on such procedures. In addition, we provide regular training to our financial department staff to ensure they understand our accounting policies and procedures.

LICENSES AND PERMITS

During the Track Record Period and as of the Latest Practicable Date, as confirmed by our PRC Legal Advisor, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in the PRC in accordance with applicable PRC laws and regulations, and such licenses, approvals and permits had remained in full effect. Our PRC Legal Advisor has advised us that there is no material legal impediment to renewing business licenses for our PRC subsidiaries.

The following table sets forth the material license and permit currently held by us.

| Name of License, Permit and Approval | Holder | Expiry Date |
|--|---|--------------------|
| PRC Value-added Telecommunications Business License (中華人民共和國增值電信業務經營許可證) | Shenzhen Mingyuan Cloud Procurement Technology Limited (深圳市明源雲採購科技有限公司) | July 2, 2024 |

AWARDS AND RECOGNITION

We have received recognition for the quality and popularity of our products and services. The following table sets forth major awards and recognitions we received during the Track Record Period.

| Award/Recognition | Award Year | Awarding Institution/Authority | Entity |
|---|-------------------|--|------------------------|
| 2018 China Software Industry Outstanding Solutions (2018年中國軟件行業優秀解決方案) | 2019 | China Software Industry Association (中國軟件行業協會) | Ming Yuan Cloud (明源軟件) |
| 2018 Most Influential Company in China's Software Industry (2018年中國軟件行業最具影響力企業) | 2019 | China Software Industry Association (中國軟件行業協會) | Ming Yuan Cloud (明源軟件) |
| Most Outstanding Smart Cloud Service Vendor (最值得關注的智慧雲服務優秀廠商) | 2019 | CIO Times (CIO時代學院) | Ming Yuan Cloud (明源軟件) |
| Software Enterprise Credit Rating AAA (軟件企業信用評價AAA級) | 2019 | China Software Industry Association (中國軟件行業協會) | Ming Yuan Cloud (明源軟件) |

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BACKGROUND TO THE CONTRACTUAL ARRANGEMENTS

Our Consolidated Affiliated Entity, Ming Yuan Cloud Procurement, was established under the laws of the PRC on April 22, 2014. As described below, business in certain areas of the industry in which we currently operate are subject to restrictions under current PRC laws and regulations. In particular, the operation of a procurement and supply chain management platform by Ming Yuan Cloud Procurement involves the provision of procurement information for property developers and suppliers for fees and is subject to restrictions under PRC regulations relating to value-added telecommunication services. After consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entity directly through equity ownership. Instead, we decided that, in line with common practice in industries subject to foreign investment restrictions in the PRC, we would gain effective control over, and receive 80% of all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entity through the Contractual Arrangements between Ming Yuan Cloud Technology, on one hand, and our Consolidated Affiliated Entity and the Relevant Shareholders, on other hand.

In order to comply with the PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities. Pursuant to the Reorganization, the agreements under the Contractual Arrangements were signed on December 16, 2019, and became effective retroactively on April 16, 2019, when Ming Yuan Cloud Technology acquired effective control over our Consolidated Affiliated Entity and have become entitled to 80% of the economic benefits derived from its operations. As a result, we do not directly own any equity interest in our Consolidated Affiliated Entity.

Prior to the Reorganization, Ming Yuan Cloud Procurement was held by Ming Yuan Cloud Technology and Shenzhen Mingyuan Cloud Century Investment Partnership (Limited Partnership) (深圳市明源雲世紀投資合夥企業(有限合夥)) (“**Shenzhen Mingyuan Cloud Century**”) as to 80% and 20%, respectively. Shenzhen Mingyuan Cloud Century was a shareholding platform held by 17 employees of our Group and Ming Yuan Cloud Calculation acted as the general partner immediately prior to the Reorganization. As part of the Reorganization, on December 12, 2019, Shenzhen Mingyuan Cloud Century transfer 20% equity interests in Ming Yuan Cloud Procurement to Shenzhen Mingyuan Cloud Tai Qi Investment Partnership (Limited Partnership) (深圳市明源雲泰啟投資合夥企業(有限合夥)) (“**Ming Yuan Cloud Tai Qi**”), a shareholding platform held by 2 employees of our Group at the time of transfer, and Ming Yuan Cloud Technology transferred approximately 36.0%, 27.2% and 16.8% of the equity interests in Ming Yuan Cloud Procurement to Mr. Gao, Mr. Chen and Mr. Jiang respectively, on April 17, 2019.

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The principal activity of the Consolidated Affiliated Entity is as follows:

| Consolidated Affiliated Entity | Principal activity |
|--------------------------------|--|
| Ming Yuan Cloud Procurement | Operation of a procurement and supply chain management platform, which involves the provision of procurement information for property developers, construction materials suppliers and other service vendors |

The revenue generated by Ming Yuan Cloud Procurement at the entity level and by excluding inter-group transactions was approximately RMB19.71 million, RMB52.56 million, RMB68.19 million and RMB8.26 million, representing approximately 3.40%, 5.76%, 5.39% and 3.25% of the consolidated revenue of our Group, for the years ended December 31, 2017, 2018, 2019 and the three months ended March 31, 2020 respectively. The corresponding net loss incurred by Ming Yuan Cloud Procurement for the years ended December 31, 2017, 2018 and 2019 was approximately RMB20.64 million, RMB24.00 million and RMB7.04 million respectively. For the three months ended March 31, 2020, the net profit of Ming Yuan Cloud Procurement was approximately RMB0.13 million. The revenue was primarily generated from the operation of *Procurement Cloud* (雲採購) and *Construction Cloud* (雲鏈) under the historical contracts entered into between our customers and Ming Yuan Cloud Procurement prior to the establishment of Ming Yuan Cloud Chain in April 2019. We transferred the operation of *Construction Cloud* (雲鏈), a business not prohibited or restricted from foreign investment under the PRC laws, to Ming Yuan Cloud Chain upon its establishment, and Ming Yuan Cloud Procurement subsequently operates *Procurement Cloud* (雲採購), which involves the provision of procurement information for property developers and suppliers for fees and is subject to foreign investment restrictions under PRC regulations relating to value-added telecommunication services. We believe that the Contractual Arrangements have been narrowly tailored to achieve our Company's business purpose.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Ming Yuan Cloud Technology, our Consolidated Affiliated Entity and its Relevant Shareholders, (ii) by entering into the exclusive business cooperation agreement dated December 16, 2019 with Ming Yuan Cloud Technology, which is a PRC subsidiary of our Company, our Consolidated Affiliated Entity will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

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Reasons for adoption of the Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the 2020 Foreign Investment Negative List which was promulgated jointly by the MOFCOM and the NDRC on June 23, 2020 and became effective on July 23, 2020 and the 2019 Encouraged Foreign Investment Catalogue which was promulgated jointly by the MOFCOM and the NDRC on June 30, 2019 and became effective on July 30, 2019. Value-added telecommunications services (excluding e-commerce, domestic multi-party communications services, store-and-forward services and call center services) (“**Restricted Value-added Telecommunications Services**”) falls under the 2020 Foreign Investment Negative List and foreign investors are restricted from holding more than 50% of the equity interest of enterprises operating such Restricted Value-added Telecommunications Services.

In addition to the 2020 Foreign Investment Negative List, under the Internet Information Services Measures, entities engaged in the provision of commercial Internet information services shall obtain an ICP License from the MIIT or its provincial level counterparts. Commercial Internet information services refer to information, web page creation and other services provided to Internet users via the Internet for fees.

On December 11, 2001, the State Council promulgated the FITE Regulations, which came into effect in January 2002 and was amended in September 2008 and February 2016. The FITE Regulations require certain foreign-invested value-added telecommunications enterprise in the PRC to be established as Sino-foreign equity joint ventures, and foreign investors may acquire up to 50% of the equity interests of such enterprise.

The operation of a procurement and supply chain management platform by Ming Yuan Cloud Procurement involves the provision of procurement information for property developers and suppliers for fees (the “**Relevant Business**”). As advised by our PRC Legal Advisor and as confirmed in a consultation (the “**SMCAB Consultation**”) with the director (主任) of the Market Regulation Division (Internet Regulation Division) of the Shenzhen Municipal Communications Administration Bureau (深圳市通信管理局) (the “**SMCAB**”) on December 25, 2019 attended by our Company, our PRC Legal Advisor and the Joint Sponsors’ PRC legal advisor, the Relevant Business falls under providing information services to customers for fees and Ming Yuan Cloud Procurement is required to obtain the requisite ICP License in order to conduct the Relevant Business. For details, please refer to the section headed “Regulations” in this prospectus. Save for the Relevant Business mentioned above, the other businesses of our Group, including the ERP and SaaS businesses, do not involve online information processing and as advised by our PRC Legal Advisor we are not required to obtain an ICP License to operate such other businesses.

According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), which was issued by the State Council on September 25, 2000 and amended on January 8, 2011, commercial internet information service refers to the provision of information through internet to web users or web page designing, etc., for payment. Enterprises providing commercial Internet information service shall obtain an ICP License.

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As advised by our PRC Legal Advisers, the current business conducted by *CRM cloud* (雲客), *Construction Cloud* (雲鏈) and *Asset Management Cloud* (雲空間) do not fall into the “commercial Internet information services” given that: (i) *CRM cloud* (雲客) is an innovative digital marketing and site management software subscribed by property developers to manage the entire property sales process. *CRM cloud* (雲客) charge the property developers for subscription fees during the term of contract and implementation fees for related technical services as well as the purchase of smart devices. (ii) *Construction Cloud* (雲鏈) is a property construction collaboration and project management software subscribed by property developers to manage the entire property development and delivery process online. *Construction Cloud* (雲鏈) charge the property developers for subscription fees during the term of contract and implementation fees for related technical services. (iii) *Asset Management Cloud* (雲空間) is a property asset management support software for commercial and residential rental properties with respect to property operations, rental management and asset optimization. *Asset Management Cloud* (雲空間) charge the developers and property asset management companies for subscription fees during the term of contract and implementation fees for related technical services. None of *CRM cloud* (雲客), *Construction Cloud* (雲鏈) and *Asset Management Cloud* (雲空間) provide commercial internet information or web page designing services and generate any revenue from such services. Therefore, ICP license is not required for *CRM cloud* (雲客), *Construction Cloud* (雲鏈) and *Asset Management Cloud* (雲空間) to conduct their current business.

We believe that the Contractual Arrangements have been narrowly tailored to achieve our Company’s business purpose and we have demonstrated genuine efforts to comply with applicable laws and regulations for the reasons below.

- The Contractual Arrangements only includes the Consolidated Affiliated Entity with principal business where foreign investment is restricted or prohibited. Our other subsidiaries that do not engage in the Relevant Business and are not subject to foreign investment restrictions are not controlled through the Contractual Arrangements, and are directly held by our Company.
- As described above, our Company is restricted from holding more than 50% equity interests in Ming Yuan Cloud Procurement under relevant PRC laws and regulations. However, as advised by the director in the SMCAB Consultation, any application by a sino-foreign joint venture company or its subsidiaries for an ICP License will not be accepted in practice, and the SMCAB will not grant any approval to an application for ICP License if the applicant has any direct or indirect foreign shareholder. In addition, if the SMCAB becomes aware that any equity interest in an enterprise that holds an ICP License is transferred to a foreign investor, the SMCAB will require the relevant enterprise to re-apply for the ICP License and its existing license will be revoked. As such, it is not possible for our Company, which will have foreign shareholders as a listed company, to acquire any equity interest in Ming Yuan Cloud Procurement or to hold the maximum equity interest in Ming Yuan Cloud Procurement permissible under current PRC laws and regulations. As a result, Ming Yuan Cloud Technology entered into the Contractual Arrangements with

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respect to 80% of the equity interests in Ming Yuan Cloud Procurement, instead of acquiring the maximum equity interest permissible in Ming Yuan Cloud Procurement from its registered shareholders. Our PRC Legal Advisor has advised that the SMCAB as the department in charge of supervision and substantive examination of the Relevant Business in Shenzhen, is the competent authority to give the relevant confirmation, and the relevant officer interviewed is of appropriate rank to provide such confirmation.

Accordingly, we are of the view that our Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Pursuant to the Contractual Arrangements, in the event that PRC laws and regulations allow Ming Yuan Cloud Technology or its shareholders to directly hold all or part of the equity interest in Ming Yuan Cloud Procurement, and conduct the Relevant Business directly, Ming Yuan Cloud Technology or its designated purchaser will exercise the option right as soon as possible under the exclusive option agreement dated December 16, 2019, entered into among Ming Yuan Cloud Technology, the Relevant Shareholders, Ming Yuan Cloud Procurement and Ming Yuan Cloud Tai Qi. The percentage of equity interest of Ming Yuan Cloud Procurement purchased upon such exercise of the option right should not be lower than the maximum percentage then allowed to be held by Ming Yuan Cloud Technology or its shareholders under PRC laws and regulations.

QUALIFICATION REQUIREMENTS UNDER THE FITE REGULATIONS

On December 11, 2001, the State Council promulgated the FITE Regulations, which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including internet content provision services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). MIIT issued a Guidance Memorandum on the Application Requirement for Establishing Foreign-invested Value-added Telecommunications Enterprises (外商投資經營電信業務審批服務指南) (the “**Guidance Memorandum**”) in the PRC. According to the Guidance Memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements and business development plan. The Guidance Memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, the Guidance Memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisor has advised us that as of the Latest Practicable Date, (i) no applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirements; and (ii) foreign investor’s fulfillment of the Qualification Requirements remains ultimately subject to substantive examination of the MIIT.

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Notwithstanding that clear procedures or guidance from the PRC approving regulatory authorities is not available, we are nevertheless committed to using our best endeavours to gradually build up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the maximum equity interest in Ming Yuan Cloud Procurement when the relevant PRC laws allow foreign investors to invest and to hold any equity interests in enterprises which engage in the value-added telecommunications services. For the purposes of meeting the Qualification Requirements, we are in the process of establishing and accumulating overseas operation experience, including:

- our Company has registered trademarks outside of the PRC for the promotion of our Relevant Business overseas, we also plan to register domain names outside of the PRC;
- our Company has established a subsidiary in Hong Kong for the purpose of registering and holding offshore intellectual properties, promoting our Company's business, entering into business contracts with offshore counterparties; and
- through our subsidiaries established outside of the PRC, our Company has been exploring the business opportunities of the Relevant Business in overseas markets, particularly provision of services to real estate development companies outside of the PRC.

Based on the SMCAB Consultation, the SMCAB confirmed that (i) there is no clear guidance about how a foreign investor can meet the Qualification Requirements, and (ii) the relevant authority will only make a final determination as to whether the Qualification Requirements are satisfied when it receives the application.

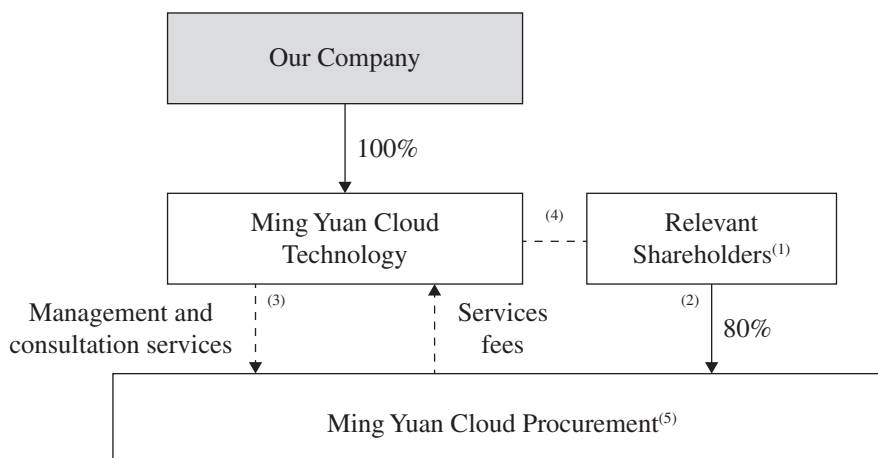
Based on the foregoing, our PRC Legal Advisor is of the view that, subject to the discretion of the competent PRC governmental authorities in determining whether our Group has fulfilled the Qualification Requirements, the above steps taken by us are reasonable, appropriate and sufficient in relation to the Qualification Requirements. We will maintain close contact with relevant PRC regulatory authorities and seek specific guidance as to the Qualification Requirements.

We will, as applicable and when necessary, disclose the progress of our overseas business plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the Listing. We will also make periodic inquiries to the competent PRC governmental authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

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The following simplified diagram illustrates the flow of 80% economic benefits from our Consolidated Affiliated Entity to our Group stipulated under the Contractual Arrangements:



Notes:

1. Relevant Shareholders refer to the relevant shareholders of Ming Yuan Cloud Procurement, namely, Mr. Gao, Mr. Chen and Mr. Jiang, who hold 36.0%, 27.2% and 16.8% of the equity interest in Ming Yuan Cloud Procurement respectively.
2. “→” denotes legal and beneficial ownership in the equity interest.
3. “--→” denotes contractual relationship.
4. “----” denotes the control by Ming Yuan Cloud Technology over the Relevant Shareholders and Ming Yuan Cloud Procurement through (1) powers of attorney to exercise all shareholders’ rights of the Relevant Shareholders in Ming Yuan Cloud Procurement, (2) exclusive options to acquire all or part of the equity interests of the Relevant Shareholders in Ming Yuan Cloud Procurement and (3) equity pledges over the equity interests of the Relevant Shareholders in Ming Yuan Cloud Procurement.
5. The remaining 20% equity interest is held by Ming Yuan Cloud Tai Qi, a shareholding platform held by 13 employees of our Group as at the Latest Practicable Date, namely Ms. Liu Qi (劉綺), Mr. Chen Hongye (陳宏業), Ms. Ni Shaoyin (倪少吟), Ms. Bai Yanyan (白燕燕), Ms. Hu Liping (胡麗萍), Mr. Guo Yonglong (郭永龍), Mr. Liu Shengxing (劉盛興), Mr. Ye Zhihui (葉智輝), Ms. Shi Hong (石洪), Ms. Liu Juan (劉娟), Ms. Luo Li (羅莉), Mr. Chen Dihao (陳迪浩) and Ms. Wang Xueming (王雪明).

We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer prohibited or restricted from foreign investment under the PRC laws.

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SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements entered into by Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement is set out below.

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement dated December 16, 2019 entered into between Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement (the “**Exclusive Business Cooperation Agreement**”), in exchange for an annual service fee, Ming Yuan Cloud Procurement agreed to engage Ming Yuan Cloud Technology as its exclusive provider of technical support, consultation and other services, including the following services:

- (1) the use of any relevant software legally owned by Ming Yuan Cloud Technology;
- (2) the use of any intellectual property rights of Ming Yuan Cloud Technology;
- (3) development, maintenance and update of the software in respect of Ming Yuan Cloud Procurement’s business;
- (4) design, installation, daily management, maintenance and update of computer network systems, hardware and database design;
- (5) providing technical support and professional training services for relevant employees of Ming Yuan Cloud Procurement;
- (6) providing assistance in consultation, collection and research of relevant technology and market information (excluding market research business that Sino-foreign joint venture companies are prohibited from conducting under PRC laws);
- (7) providing business management consultation;
- (8) providing business strategic development and planning consultation;
- (9) providing business finance consultation and management services;
- (10) provide business operation related information consultation;
- (11) providing marketing and promotional services;
- (12) providing customer order management and customer services;
- (13) transfer, leasing and disposal of equipment or properties; and
- (14) other relevant services requested by Ming Yuan Cloud Procurement from time to time to the extent permitted under PRC laws.

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Under the Exclusive Business Cooperation Agreement, the service fees shall be 80% of the total consolidated profit of Ming Yuan Cloud Procurement before tax, after the deduction of any accumulated deficit of Ming Yuan Cloud Procurement in respect of the preceding financial year(s) (if any), operating costs, expenses, taxes and other statutory contributions in respect of any financial year. Notwithstanding the foregoing, Ming Yuan Cloud Technology may adjust the scope and amount of service fees according to PRC tax law and tax practices, with reference to the operational capital needs of Ming Yuan Cloud Procurement, and Ming Yuan Cloud Procurement will accept such adjustments. Ming Yuan Cloud Technology shall have sole discretion to decide on the scope of service and amount of service fee.

During the term of the Exclusive Business Cooperation Agreement, Ming Yuan Cloud Technology shall enjoy and bear 80% of all the economic benefits and business risks arising from the operations of Ming Yuan Cloud Procurement. Ming Yuan Cloud Technology may also provide financial support to Ming Yuan Cloud Procurement whenever Ming Yuan Cloud Procurement suffers an operational loss or a serious operational difficulty arises. When the aforementioned situations occur, Ming Yuan Cloud Technology has the sole discretion to decide whether Ming Yuan Cloud Procurement shall continue in operation, and Ming Yuan Cloud Procurement shall, without qualification, agree with such decision of Ming Yuan Cloud Technology.

In addition, absent the prior written consent of Ming Yuan Cloud Technology, during the term of the Exclusive Business Cooperation Agreement, with respect to the services and other matters subject to the Exclusive Business Cooperation Agreement, Ming Yuan Cloud Procurement shall not enter into any same or similar exclusive business cooperation agreement with any third party, accept in any way, directly or indirectly, the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreement with any third party. Ming Yuan Cloud Technology may appoint other parties, who may enter into certain agreements with Ming Yuan Cloud Procurement, to provide Ming Yuan Cloud Procurement with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provide that Ming Yuan Cloud Technology has the sole and exclusive proprietary rights to and interests in any and all intellectual property rights and intangible assets produced, developed or created by Ming Yuan Cloud Procurement during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement was entered into on December 16, 2019 and shall remain effective unless terminated (a) upon mutual agreement between Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement; or (b) in writing by Ming Yuan Cloud Technology 30 days in advance.

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Exclusive Option Agreement

Under the exclusive option agreement dated December 16, 2019 among Ming Yuan Cloud Technology, the Relevant Shareholders, Ming Yuan Cloud Procurement and Ming Yuan Cloud Tai Qi (the “**Exclusive Option Agreement**”), the Relevant Shareholders and/or Ming Yuan Cloud Procurement agreed to grant Ming Yuan Cloud Technology an irrevocable and exclusive right to require, without additional conditions, each of the Relevant Shareholders to transfer any or all their equity interests in Ming Yuan Cloud Procurement, and/or Ming Yuan Cloud Procurement to transfer any or all of the assets it held, to Ming Yuan Cloud Technology and/or a third party designated by it, at any time and from time to time, for a nominal price or at the lowest purchase price that is permitted by the PRC laws. The Relevant Shareholders and Ming Yuan Cloud Procurement agreed to accept the grant of such exclusive right.

The Relevant Shareholders, Ming Yuan Cloud Procurement and Ming Yuan Cloud Tai Qi, among other things, have covenanted that:

- (1) without the prior written consent of Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement shall not assist or permit the Relevant Shareholders to sell, transfer, pledge or in any other manner dispose of or impose encumbrance on the equity interest held in Ming Yuan Cloud Procurement;
- (2) without the prior written consent of Ming Yuan Cloud Technology, they shall not in any manner supplement, change or amend the constitutional documents of Ming Yuan Cloud Procurement, increase or decrease its registered capital, or change the structure of its registered capital in other manner;
- (3) they shall maintain Ming Yuan Cloud Procurement’s corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits and prudently and effectively operate its business and handle its affairs;
- (4) without the prior written consent of Ming Yuan Cloud Technology, they shall not at any time following the signing of the Exclusive Option Agreement sell, transfer, pledge or dispose of in any manner any assets of Ming Yuan Cloud Procurement or legal or beneficial interest in the business, operational license or revenues of Ming Yuan Cloud Procurement of more than RMB1,000,000, or allow the encumbrance thereon of any security interest;
- (5) without the prior written consent of Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement shall not incur, inherit, guarantee or allow the existence of any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan;

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- (6) Ming Yuan Cloud Procurement shall always operate all of its businesses in the ordinary course of business to maintain its asset value and refrain from any action/omission that may cause adverse effects to Ming Yuan Cloud Procurement's operating status and asset value;
- (7) without the prior written consent of Ming Yuan Cloud Technology, they shall not cause Ming Yuan Cloud Procurement to execute any material contract with a value above RMB1,000,000, except the contracts executed in the ordinary course of business, or any contract that contravenes with existing material contracts;
- (8) without the prior written consent of Ming Yuan Cloud Technology, they shall not cause Ming Yuan Cloud Procurement to provide any person with any loan or credit or provide any guarantee for the debts of any third party;
- (9) they shall provide Ming Yuan Cloud Technology with all information on Ming Yuan Cloud Procurement's business operations and financial condition at the request of Ming Yuan Cloud Technology;
- (10) if requested by Ming Yuan Cloud Technology, they shall cause Ming Yuan Cloud Procurement to purchase and maintain insurance in respect of Ming Yuan Cloud Procurement's assets and business from an insurance carrier acceptable to Ming Yuan Cloud Technology, at an amount and type of coverage typical of companies that operate similar businesses;
- (11) without the prior written consent of Ming Yuan Cloud Technology, they shall not cause or permit Ming Yuan Cloud Procurement to split, merge, consolidate with, acquire or invest in any person;
- (12) they shall immediately notify Ming Yuan Cloud Technology of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Ming Yuan Cloud Procurement's assets, business or revenue;
- (13) to maintain the ownership by Ming Yuan Cloud Procurement of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- (14) without the prior written consent of Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement shall not in any manner distribute dividends to its shareholders, provided that upon the request of Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement shall immediately distribute all distributable profits to its shareholders;

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- (15) at the request of Ming Yuan Cloud Technology, they shall appoint any persons designated by Ming Yuan Cloud Technology as the directors, supervisors and senior management of Ming Yuan Cloud Procurement and/or remove any existing directors, supervisors and senior management of Ming Yuan Cloud Procurement;
- (16) without the written consent of Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement shall not engage in any business in competition with Ming Yuan Cloud Technology or its affiliates; and
- (17) unless otherwise mandatorily required by PRC laws, Ming Yuan Cloud Procurement shall not be dissolved or liquidated without prior written consent by Ming Yuan Cloud Technology.

In addition, the Relevant Shareholders, among other things, have covenanted that:

- (1) without the prior written consent of Ming Yuan Cloud Technology, they shall not sell, transfer, pledge or dispose of in any other manner their legal or beneficial interest in Ming Yuan Cloud Procurement, or allow the encumbrance thereon of any security interest, except for the Exclusive Option Agreement, the equity pledge agreement dated December 16, 2019 entered into between Ming Yuan Cloud Technology, the Relevant Shareholders and Ming Yuan Cloud Procurement, and the interests prescribed in the powers of attorney entered into by the Relevant Shareholders (the “**Powers of Attorney**”), and procure the shareholders’ meeting and the board of directors of Ming Yuan Cloud Procurement not to approve such matters;
- (2) for each exercise of the equity purchase option and asset purchase option, to cause the shareholders’ meeting or the board of directors of Ming Yuan Cloud Procurement to vote for the approval of the transfer of equity interests, the transfer of assets, and any other action requested by Ming Yuan Cloud Technology;
- (3) any Relevant Shareholder who has not transferred his Shares shall waive any pre-emptive right that he is entitled to (if any), and give consent to the execution, by other shareholders of Ming Yuan Cloud Procurement with Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement and Ming Yuan Cloud Tai Qi, of any exclusive option agreements, equity pledge agreements and powers of attorney similar to the Exclusive Option Agreement, the equity pledge agreement dated December 16, 2019 entered into between Ming Yuan Cloud Technology, the Relevant Shareholders and Ming Yuan Cloud Procurement, and the Powers of Attorney, and undertake not to take any actions that would be in conflict with such documents executed by the other shareholders of Ming Yuan Cloud Procurement; and

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- (4) each of the Relevant Shareholders will transfer to Ming Yuan Cloud Technology or its appointee(s) by way of gift any profit, interest, dividend or proceeds received from liquidation in accordance with the PRC laws and after the payment of any tax required under the relevant laws.

The Relevant Shareholders or Ming Yuan Cloud Procurement shall return to Ming Yuan Cloud Technology or any person designated by Ming Yuan Cloud Technology, all the consideration (in the case of the Relevant Shareholders) or 80% of the consideration (in the case of Ming Yuan Cloud Procurement) that they receive in the event that Ming Yuan Cloud Technology exercise the options under the Exclusive Option Agreement to acquire the equity interests in and/or the assets held by Ming Yuan Cloud Procurement.

The Exclusive Option Agreement was entered into on December 16, 2019 and shall remain effective unless terminated in the event that part or all of the equity interests held by each of the Relevant Shareholders in Ming Yuan Cloud Procurement and/or part or all of the assets held by Ming Yuan Cloud Procurement have been transferred to Ming Yuan Cloud Technology or its appointee(s). Ming Yuan Cloud Technology may terminate the Exclusive Option Agreement upon written notice according to its own discretion.

Equity Pledge Agreement

Under the equity pledge agreement dated December 16, 2019 entered into between Ming Yuan Cloud Technology which became effective retroactively on April 16, 2019, the Relevant Shareholders and Ming Yuan Cloud Procurement (the “**Equity Pledge Agreement**”), the Relevant Shareholders agreed to pledge all their respective equity interests in Ming Yuan Cloud Procurement that they own, including any interest or dividend paid for the shares, to Ming Yuan Cloud Technology as first charge to guarantee the performance of contractual obligations and the payment of guaranteed debts as defined in the Equity Pledge Agreement.

The pledge in respect of Ming Yuan Cloud Procurement took effect upon the completion of registration with the relevant administration for industry and commerce on December 18, 2019 and shall remain valid until after: (1) all the contractual obligations of the Relevant Shareholders and Ming Yuan Cloud Procurement under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Powers of Attorney and the Equity Pledge Agreement have been fully performed and all the guaranteed debts of the Relevant Shareholders and Ming Yuan Cloud Procurement under the same agreements have been fully paid; or (2) Ming Yuan Cloud Technology and/or designated assignee(s) has, subject to the relevant laws and regulations, purchased all the equity interests in Ming Yuan Cloud Procurement pursuant to the Exclusive Option Agreement, all such equity interest has been legally transferred to Ming Yuan Cloud Technology and/or the designated assignee(s), and Ming Yuan Cloud Technology and/or the designated assignees can legally operate the business of Ming Yuan Cloud Procurement. The Equity Pledge Agreement was entered into on December 16, 2019 and shall remain valid until all the contractual obligations therein have been fully performed and all the guaranteed debts thereunder have been fully paid, unless the Equity Pledge Agreement provides otherwise.

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Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), the Relevant Shareholders shall compensate Ming Yuan Cloud Technology for all the losses it suffered due to such default, and Ming Yuan Cloud Technology shall have the right to exercise all such rights as a party suffering breach of contract under any applicable PRC laws, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Powers of Attorney and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interests upon written notice to the Relevant Shareholders.

The registration of the Equity Pledge Agreement as required by the relevant laws and regulations has been completed on December 18, 2019 in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations.

Powers of Attorney

The Relevant Shareholders have executed Powers of Attorney dated December 16, 2019. Under the Powers of Attorney, the Relevant Shareholders irrevocably appointed Ming Yuan Cloud Technology, its successors and any of its liquidators (if any), or any of its designated person(s) (including Directors and their successors and liquidators replacing the Directors), as their attorneys-in-fact to exercise on their behalf:

- (1) to convene and attend shareholders' meetings of Ming Yuan Cloud Procurement, and to accept any notice relating to the convention of the shareholders' meetings, relevant shareholders' meeting procedures and list of resolutions pending deliberation;
- (2) to file relevant documents with the relevant companies registration authority or government authority and to approve the delivery of any registration documents to the government authority;
- (3) in person, or by appointing a representative, to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of Ming Yuan Cloud Procurement, including but not limited to the right to dividends and the sale, transfer, pledge or disposal of any or all of the equity interests in Ming Yuan Cloud Procurement;
- (4) to execute any and all written resolutions and meeting minutes and to approve the amendments to the articles of associations in the name and on behalf of such shareholder;

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- (5) to serve as the legal representative of Ming Yuan Cloud Procurement pursuant to the articles, or to serve as the chairman of the board of directors, an executive director or a manager of Ming Yuan Cloud Procurement, and/or to nominate, elect, designate, appoint or remove the legal representatives, directors, supervisors, general manager, chief financial officer and other senior management of Ming Yuan Cloud Procurement;
- (6) to exercise the shareholders' voting rights at the bankruptcy, liquidation, dissolution or termination of Ming Yuan Cloud Procurement, and to form a liquidation committee to exercise the rights enjoyed by the liquidation committee during the period of liquidation, in accordance with the laws, including without limitation to vote on the disposal of the assets of Ming Yuan Cloud Procurement;
- (7) to exercise the distribution right in relation to the assets remaining from the bankruptcy, liquidation, dissolution or termination of Ming Yuan Cloud Procurement;
- (8) to exercise any shareholders' right in relation to dealing with the assets of Ming Yuan Cloud Procurement in accordance with the laws, including but not limited to the right to manage the business relevant to the assets, the right to access and use the profits of Ming Yuan Cloud Procurement and the right to dispose of or acquire the assets of Ming Yuan Cloud Procurement;
- (9) to supervise the operational results of Ming Yuan Cloud Procurement, to approve the annual budget and distribution of dividends of Ming Yuan Cloud Procurement and to review the financial information of Ming Yuan Cloud Procurement at any time; and
- (10) to exercise other rights required by the laws and regulations and the articles of association of Ming Yuan Cloud Procurement as rights that must be exercised by shareholders.

Any non-independent persons or those who may give rise to conflict of interest will not be appointed as a designated person of Ming Yuan Cloud Technology.

Each of the Relevant Shareholders has undertaken that he will not directly or indirectly participate in, engage in, be involved in or own, or use the information obtained from Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement to participate in, engage in, be involved in or own, any business which potentially compete with Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement's affiliates or its main business, nor will he hold any interest or obtain any benefit from such business.

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The authorization under the Powers of Attorney by the Relevant Shareholders shall not cause a conflict of interest between any of the Relevant Shareholders and Ming Yuan Cloud Technology and/or the actual or potential interests of the appointee. If a potential conflict of interest arises between any of the Relevant Shareholders and Ming Yuan Cloud Procurement on one hand, and Ming Yuan Cloud Technology, our Company or its subsidiaries on the other, the Relevant Shareholder shall as a priority protect, and not harm, the interests of Ming Yuan Cloud Technology or our Company. Where any of the Relevant Shareholders serve as the director or senior management of Ming Yuan Cloud Technology or our Company, the Relevant Shareholder shall authorize Ming Yuan Cloud Technology, or other directors or senior management as directed by Ming Yuan Cloud Technology, to exercise the rights under the Powers of Attorney. Each of the Relevant Shareholders shall not sign with any external party any agreement which poses a conflict of interest with any agreements signed with Ming Yuan Cloud Procurement or Ming Yuan Cloud Technology and its designated person(s) and which are in performance, and shall not make relevant promises. Each of the Relevant Shareholders shall not cause, by action or inaction, a conflict of interest between himself and Ming Yuan Cloud Technology and its shareholders. If such a conflict arises, the Relevant Shareholder shall make best efforts to remove such conflict timely and in a manner as consented to by Ming Yuan Cloud Technology or its designated person(s). If the Relevant Shareholder refuses to take steps to remove such conflict, Ming Yuan Cloud Technology has the right to exercise the equity purchase option and asset purchase option under the Exclusive Business Option Agreement and any other remedial rights.

Further, the Powers of Attorney shall be irrevocable and remain effective for so long as the respective Relevant Shareholder holds equity interest in Ming Yuan Cloud Procurement.

Confirmations from the Relevant Shareholders

Each of the Relevant Shareholders, namely, Mr. Gao, Mr. Chen and Mr. Jiang has confirmed to the effect that (i) his spouse does not own and does not have the right to claim any interests in the equity interest of Ming Yuan Cloud Procurement (together with any other interests therein) or exert influence on the day-to-day management by Ming Yuan Cloud Procurement, (ii) in the event of his death, incapacity, bankruptcy (if applicable), divorce or any other event which causes his inability to exercise his rights as a shareholder of Ming Yuan Cloud Procurement, he will take actions deemed necessary by Ming Yuan Cloud Technology to safeguard the performance of the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney, and his successors, guardians, managers, liquidators, creditors, spouse or any other person that has a claim on his equity interest in Ming Yuan Cloud Procurement or related rights will not, under any circumstance and in any way, take any action, when such action may affect or hinder the respective Relevant Shareholder and/or Ming Yuan Cloud Procurement in performing their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney.

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Spouse undertakings

The spouse of each of the Relevant Shareholders, where applicable, has signed undertakings to the effect that (i) the respective Relevant Shareholder's interests in Ming Yuan Cloud Procurement (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she has no right to such interests of the respective Relevant Shareholder and will not have any claim on such interests.

Our PRC Legal Advisor is of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of any Relevant Shareholders and (ii) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and Ming Yuan Cloud Technology or our Company can still enforce their right under the Contractual Arrangements against the Relevant Shareholders.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the interpretation and/or performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shenzhen Court of International Arbitration for arbitration in Shenzhen, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the PRC laws and regulations and the then situation, the arbitral tribunal may award remedies over the shares or assets of Ming Yuan Cloud Procurement, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business and injunctive relief compelling transfer of assets), enforce the contract or order the winding up of Ming Yuan Cloud Procurement; any party may apply to the courts of Hong Kong, Shenzhen (being the place of incorporation of Ming Yuan Cloud Procurement), the Cayman Islands (being the place of incorporation of our Company) and the places where the principal assets of Ming Yuan Cloud Procurement are located, for interim remedies or injunctive relief, to support the carry out of arbitration.

However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entity pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Ming Yuan Cloud Procurement or the Relevant Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our

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Consolidated Affiliated Entity and conduct our business could be materially and adversely affected. See the section headed “Risk Factors – Risks Relating to Our Contractual Arrangements” in this prospectus for further details.

Conflict of Interest

Each of the Relevant Shareholders has given their irrevocable undertakings in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, see the sub-paragraph headed “– Powers of Attorney” above.

Loss Sharing

As advised by our PRC legal advisor, under the relevant PRC laws and regulations, none of our Company and Ming Yuan Cloud Technology is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entity. Further, our Consolidated Affiliated Entity is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Ming Yuan Cloud Technology intends to continuously provide to or assist our Consolidated Affiliated Entity in obtaining financial support when deemed necessary. In addition, given that our Group conducts a portion of its business operations in the PRC through our Consolidated Affiliated Entity, which holds the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entity suffers losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of its assets of more than RMB1,000,000, (ii) execute any material contract with a value above RMB1,000,000, except those entered into in the ordinary course of business, (iii) provide any loan, credit or guarantees in any form to any third party, (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business, (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreement, the potential adverse effect on Ming Yuan Cloud Technology and our Company in the event of any loss suffered from Ming Yuan Cloud Procurement can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the Relevant Shareholders shall give the proceeds they received from liquidation as a gift to Ming Yuan Cloud Technology to the extent permitted by the PRC laws.

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Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating the Relevant Business through our Consolidated Affiliated Entity under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that:

- (a) parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;
- (b) parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the Contractual Arrangements is binding on the parties thereto and none of them would be deemed as “concealment of illegal intentions with a lawful form” and void under the PRC Contract Law;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of Ming Yuan Cloud Procurement or Ming Yuan Cloud Technology;
- (d) parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
 - (i) the exercise of the option by Ming Yuan Cloud Technology of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Ming Yuan Cloud Procurement are subject to the approvals of and/or registrations with the PRC regulatory authorities;
 - (ii) any share pledge contemplated under the Share Pledge Agreement is subject to the registration with local administration bureau for industry and commerce;
 - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognised by PRC courts before compulsory enforcement.

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- (e) each of the Contractual Arrangements is valid, legal and binding under PRC laws including but not limited to the Foreign Investment Law and the 2020 Foreign Investment Negative List, except for the following provisions regarding dispute resolution and the liquidation committee:
 - (i) the Contractual Arrangements provide that any dispute shall be submitted to the Shenzhen Court of International Arbitration for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shenzhen. They also provide that the arbitrator may award interim remedies over the shares or assets of Ming Yuan Cloud Procurement, including compensation, injunctive relief (including but not limited to injunctive relief relating to the conduct of business and injunctive relief compelling transfer of assets), enforce the contract or order the winding up of Ming Yuan Cloud Procurement; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of Ming Yuan Cloud Procurement) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of Ming Yuan Cloud Procurement. However, the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; and
 - (ii) the Contractual Arrangements provide that the shareholders of Ming Yuan Cloud Procurement undertake to appoint a committee designated by Ming Yuan Cloud Technology as the liquidation committee upon the winding up of Ming Yuan Cloud Procurement to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

Based on the above and the SMCAB Consultation, our PRC Legal Advisor is of the view that the adoption of the Contractual Arrangements does not constitute a breach or violation of the PRC laws and that the Contractual Arrangements will not be deemed ineffective or invalid and will not result in any administrative proceedings or penalties on us.

However, as advised by our PRC Legal Advisor, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Advisor. Please refer to the section headed “Risk Factors – Risks Relating to Our Contractual Arrangements – Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

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Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC and not likely to be challenged by the relevant authorities in the PRC. Our PRC Legal Advisor is of the view that the SMCAB and the personnel consulted in the interview are competent and authorised to interpret the relevant laws, regulations and rules of the PRC for the Relevant Business. We are also advised by our PRC Legal Advisor that the transfer of economic benefits from our Consolidated Affiliated Entity to Ming Yuan Cloud Technology and the pledging of the entire equity interest held by the Relevant Shareholders in our Consolidated Affiliated Entity to Ming Yuan Cloud Technology under the Contractual Arrangements would not be deemed a violation of the relevant PRC laws and regulations.

We are aware of a Supreme People's Court ruling (the **"Supreme People's Court Ruling"**) made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (ii) the incentive for the Relevant Shareholders under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State, (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party, (iii) the contract damages the public interest, (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisor is of the view that the relevant terms of our Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisor is of the view that the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" such that they also do not fall within circumstance (iv) above under Article 52 of the PRC Contract Law because the Contractual Arrangements were not entered into for illegitimate purposes. The purposes of the Contractual Arrangements are (a) to enable Ming Yuan Cloud Procurement to transfer 80% of its economic benefits to Ming Yuan Cloud Technology as service fees for engaging Ming Yuan Cloud Technology as their exclusive service provider and (b) to ensure that the Relevant Shareholders do not take any actions that are contrary to the interests of Ming Yuan Cloud Technology. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to list on the Stock Exchange while obtaining the economic benefits of our Consolidated Affiliated Entity, is not for an illegitimate purpose, as evidenced by the fact that a number of currently listed companies also adopt similar contractual arrangements. In conclusion, the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

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Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of our Consolidated Affiliated Entity

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement will pay service fees to Ming Yuan Cloud Technology. The service fees, subject to Ming Yuan Cloud Technology's adjustment, are equal to 80% of the total consolidated profit of Ming Yuan Cloud Procurement before tax, after the deduction of any accumulated deficit of the Consolidated Affiliated Entity in respect of the preceding financial years (if any), operating costs, expenses, taxes and other statutory contributions. Ming Yuan Cloud Technology may adjust the service scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entity. Ming Yuan Cloud Technology also has the right to receive the accounts of our Consolidated Affiliated Entity within 15 to 45 days after the end of each financial year. Accordingly, Ming Yuan Cloud Technology has the ability, at its sole discretion, to extract 80% of the economic benefits of Ming Yuan Cloud Procurement through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Ming Yuan Cloud Technology has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entity as Ming Yuan Cloud Technology's prior written consent is required before any distribution can be made. In the event that the Relevant Shareholders receive any profit, distribution, dividend or proceeds from liquidation from our Consolidated Affiliated Entity, the Relevant Shareholders must timely gift such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Ming Yuan Cloud Technology or any person(s) designated by it.

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entity through Ming Yuan Cloud Technology and, at our Company's sole discretion, can receive 80% of the economic interest returns generated by our Consolidated Affiliated Entity. Accordingly, our Consolidated Affiliated Entity's results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entity into our Group's financial information as if it was our Company's subsidiary. The basis of consolidating the results of our Consolidated Affiliated Entity is disclosed in Note 2 to the Accountant's Report set out in Appendix I to this prospectus.

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Development in the PRC Legislation on Foreign Investment

The Foreign Investment Law (2019)

Foreign Investment Law (2019) (the “**Foreign Investment Law**”) was adopted at the 2nd Session of the 13th NPC of the PRC on March 15, 2019 and came into force from January 1, 2020. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020.

The Foreign Investment Law stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list”, which was issued by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the “negative list”, management shall be conducted under the principle of consistency of domestic and foreign investment. The Foreign Investment Law does not contain or quote the stipulation of the “negative list.”

Unlike the 2015 draft foreign investment law (which did not come into effect), the definition of “foreign investors” in Foreign Investment Law and its implementing regulations includes foreign natural persons, enterprises and other organizations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities.

Moreover, the Foreign Investment Law and its implementing regulations do not stipulate that the “foreign investment” as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “investments through other means stipulated under laws or administrative regulations or by the State Council” without elaboration on “other means.”

Impact of Foreign Investment Law on Contractual Arrangements

Our PRC Legal Advisor is of the view that since contractual arrangements are not specified as “foreign investments” under the Foreign Investment Law and its implementing regulations and if there is no applicable law or regulation that explain “other means” of foreign investment under the Foreign Investment Law, or if “other means” of foreign investment are not specified under applicable laws or regulations to include contractual arrangements, it is unlikely that the Contractual Arrangements will be deemed as “foreign investments” under the Foreign Investment Law and its implementing regulations and therefore (i) the Contractual Arrangements shall neither be subject to the “negative list” nor be regulated by relevant authorities in accordance with the requirements of the “negative list”; and (ii) the Foreign Investment Law and its implementing regulations do not substantially change the principle of

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recognition and treatment of contractual arrangements as compared with the current PRC laws and regulations, and each of the Contractual Arrangements is valid, legal and binding under PRC laws, taking into consideration of the Foreign Investment Law and the “negative list”, except for the provisions regarding dispute resolution and the liquidation committee mentioned above.

If the operation of the Relevant Business is not on the “negative list” and we can legally operate such business under PRC laws, Ming Yuan Cloud Technology will exercise the option right under the Exclusive Option Agreement to acquire the equity interest of our Consolidated Affiliated Entity and unwind the contractual arrangements subject to re-approval by the relevant authorities.

If the operation of the Relevant Business is on the “negative list”, unless applicable laws or regulations define contractual arrangements as one of the “other means” of foreign investment, the probability that Contractual Arrangements are deemed as “foreign investment” under the Foreign Investment Law and be regulated by relevant authorities in accordance with the requirements of the “negative list”, which results the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the “negative list” is low. In addition, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our PRC Legal Advisor is of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of contractual arrangement and the enactment of laws and regulations impacting them, and may make decisions according to different situations in practice.

As there are no other related ancillary regulations or implementing rule of the Foreign Investment Law defining other means of foreign investment, the interpretation and implementation of the Foreign Investment Law might differ from our understanding. If there are other related regulations defining other means of foreign investment to include contractual arrangements, the laws and regulations above will not only apply to our Company and Ming Yuan Cloud Procurement, but also apply to other entities which operate under contractual arrangements.

Compliance with the Contractual Arrangements

Our Company has adopted the following measures to ensure the effective operation of our Company with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

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- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Ming Yuan Cloud Technology and our Consolidated Affiliated Entity to deal with specific issues or matters arising from the Contractual Arrangements.

REGULATIONS

Our business activities are principally based in the PRC. We are therefore required to comply with a number of PRC laws and regulations to carry out our operating activities. This section sets out a summary of the main laws, regulations applicable to our business in PRC.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Our subsidiaries in the PRC were foreign-invested companies after the completion of the Reorganization.

Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was enacted by the SCNPC on December 29, 1993 and was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, respectively, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in PRC. Nevertheless, where there are other special laws relating to foreign investment, such laws shall prevail.

Wholly Foreign-owned Enterprises Law of the PRC (2016 Amendment) (《中華人民共和國外資企業法》(2016修訂)) and the Detailed Rules for the Implementation of Wholly Foreign-owned Enterprises Law of the PRC (2014 Amendment) (《中華人民共和國外資企業法實施細則》(2014修訂)) specified rules and regulations on the establishment, operation and management of whole-foreign-funded enterprises in China. Foreign-funded enterprises whose formation and modification were not subject to special administrative measures for market access shall undergo the filing formalities prescribed by the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-funded Enterprises (2018 Amendment) (《外商投資企業設立及變更備案管理暫行辦法》(2018修訂)) (the “**Interim Measures for the Recordation Administration**”).

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) was adopted at the 2nd Session of the 13th NPC on March 15, 2019 and came into force from January 1, 2020, which replaced the Sino-foreign Equity Joint Venture Enterprises Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprises Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》). On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020, and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprises Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprises Law (《中外合資經營企業合營期限暫行規定》), the Detailed Rules for Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》) and the Detailed Rules for the Implementation of Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法實施細則》).

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The Foreign Investment Law regulates the investment activities of foreign natural persons, enterprises or other organizations directly or indirectly within China. Investment activities include setting up foreign-invested enterprises, obtaining shares, equities, property shares or other similar rights and interests of enterprises in China, investing in new projects in China and other investment prescribed by laws, administrative regulations or specified by the State Council. According to the Foreign Investment Law, the PRC government offers the management systems of pre-establishment national treatment and negative list for foreign investment according to which the treatment given to foreign investors and their investments during the investment access stage shall be not lower than that given to their domestic counterparts, and the State shall give national treatment to foreign investment beyond the negative list where special administrative measures for the access of foreign investment in specific fields is specified. The state will take measures to prompt foreign investment such as ensuring fair competition for foreign-invested enterprises to participate in government procurement activities, and protection of intellectual property rights of foreign investment. Besides, the State shall protect foreign investors' investment, earnings and other legitimate rights and interests, such as free remittance of capital contribution, profits, capital gains, assets disposal income, intellectual property license fees, legally-obtained damages or compensation, liquidation proceeds, etc. It is also provided that forms of organization, organization structures and activities of foreign-invested enterprises shall be governed by the provisions of the PRC Company Law and the Law of the Partnership Enterprise. Foreign-invested enterprises established before the effectiveness of the Foreign Investment Law may keep their original forms of business organizations for five years after January 1, 2020.

On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration, and thus for foreign investors carrying out investment activities directly or indirectly in China, instead of filing formalities, foreign investors shall report their foreign investment information to the commerce authorities.

According to Regulations on Foreign Investment Guidelines (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, foreign investment projects shall be classified into four categories: encouraged, permitted, restricted and prohibited. Encouraged, restricted and prohibited foreign investment projects shall be listed in the Guideline Catalogue of Foreign Investment Industries (《外商投資產業指導目錄》) (the “**Catalogue**”), while foreign investment projects that do not fall within the encouraged, restricted and prohibited categories shall be classified as belonging to permitted foreign investment projects. The Catalog was promulgated and amended by the NDRC and MOFCOM and was replaced by the Negative List and Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》).

Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020版)》) (the “**Negative List**”) was promulgated by the NDRC and the MOFCOM on June 23, 2020 and became effective on July 23, 2020, and set out the “prohibited” and “restricted” industries for foreign investment.

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Investing in an industry that falls within the restricted category of the Negative List requires the permit granted by competent authorities, while foreign investors may not invest in any prohibited field on the Negative List. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment. Pursuant to the Negative List, providing software solutions in the real estate industry does not fall within the “prohibited” or “restricted” category, while foreign-invested shares of value-added telecommunications services must not exceed 50% (excluding e-commerce, domestic multi-party communications services, store and forward services and call center services) of the business.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

Through Ming Yuan Cloud Procurement, we operate a procurement and supply chain management platform that involves the provision of procurement information for property developers, construction materials suppliers and other service vendors. The operation of a procurement and supply chain management platform by Ming Yuan Cloud Procurement involves the provision of procurement information for property developers and suppliers for fees and is subject to the PRC regulations relating to value-added telecommunication services.

Telecommunications Regulation of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulation**”), promulgated by the State Council on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, provided a regulatory framework for telecommunications services providers in the PRC and divided telecommunications business into two categories: basic telecommunications business and value-added telecommunications business.

According to the Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulation and last amended by the MIIT on June 6, 2019, information services provided via fixed network, mobile network and Internet fall within value-added telecommunications services.

The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), promulgated by the MIIT in 2009 and last amended in July 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these measures, a commercial provider of value-added telecommunications services must first obtain a license from the MIIT or its provincial level counterpart, or else such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains. In case of serious violations, the provider might be ordered to suspend business.

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Pursuant to Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, Internet information services belong to two categories, commercial Internet information services and non-commercial Internet information services. Commercial Internet information service refers to the provision with charge of payment of information through Internet to web users or of web page designing, etc. Non-commercial Internet information service refers to the provision free of charge of public, common-shared information through Internet to web users. Providing commercial Internet information service shall obtain an ICP License. And violators may be subject to penalties, including criminal sanctions, for providing Internet content that: contravene the fundamental principles stated in the PRC Constitution, compromises national security, divulges national secrets, subverts national power or damages national unity, etc. Internet information service providers may not post or disseminate any content that falls within prohibited areas and must stop providing any such content on their websites. Related authorities may order ICP License holders violating such content restrictions to correct those violations and revoke their ICP Licenses under serious conditions.

Foreign direct investment in telecommunications companies in China is governed by FITE Regulations, which stipulate that the ultimate proportion of foreign investors in a foreign-funded telecommunications enterprise engaging in the value-added services shall not be more than 50%, and the major foreign investor of such enterprise shall have good performances and operation experiences in managing the value-added telecom businesses (the “**Qualification Requirements**”). For the commencement of establishing the foreign-funded telecommunication business in China, foreign investors shall file applications with credentials of such qualifications to obtain approvals from the MIIT, which retain wide discretion in granting such approvals because there is no specific guidance and interpretation on how to satisfy the Qualification Requirements.

On March 1, 2017, the MIIT issued Guidance Memorandum on the Application Requirement for Establishing Foreign-invested Value-added Telecommunications Enterprises (外商投資經營電信業務審批服務指南) (the “**Guidance Memorandum**”). According to the Guidance Memorandum, if any foreign investor intends to invest in telecommunications business in China, it is required to provide, among other things, its annual reports for the past three years, satisfactory proof of compliance with the qualification requirements and business development plan.

On 13 July 2006, Ministry of Information Industry released the Notice on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Notice**”), pursuant to which, domestic telecommunications enterprises were prohibited to lease, transfer or sell for profits any license for telecommunications business by any means or in any disguised form, or provide such conditions as resources, places and facilities for any foreign investor engaging in illegal telecommunications operation in any form within the territory of China.

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REGULATIONS RELATING TO INFORMATION SECURITY AND PERSONAL INFORMATION PROTECTION

We provide ERP solutions and SaaS products and related services to our customers through the Internet, and also collect certain personal information of natural persons who are customers of our customers. Hence we are subject to the PRC regulations relating to information security and personal information protection.

Information Security

According to Decision of the SCNPC on Preserving Computer Network Security (《全國人民代表大會關於維護互聯網安全的決定》) adopted on December 28, 2000 and amended on August 27, 2009, anyone commit crimes through internet, like spreading computer viruses to attack the computer system and the communications network, making use of the internet to spread rumors, libels to split the country and undermine unification of the State, infringing on citizens' freedom and privacy of correspondence, shall be subject to criminal responsibility.

On 13 December 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), which took effect on 1 March 2006. These regulations require Internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records.

On 7 November 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which became effective on 1 June 2017 and stipulated that network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures to safeguard the safe and stable operation of the networks. Where the purchase of network products and services affects national security, it shall be subject to national cyber security review. Measures for the Security Review of Network Products and Services (for Trial Implementation) (《網絡產品和服務安全審查辦法(試行)》) issued by CAC in May 2017 provided more detailed rules regarding cyber security review requirements.

On September 15, 2018, the Ministry of Public Security issued the Regulations for Internet Security Supervision and Inspection by Public Security Organs (《公安機關互聯網安全監督檢查規定》) (the “**Inspection Regulations**”) which took effect on November 1, 2018. Pursuant to the Inspection Regulation, public security authorities shall conduct supervision and inspection on the network operators that provide the following services: (1) Internet connection, Internet data centers, content distributions and domain name services, (2) Internet information services, (3) public Internet access services and (4) other Internet services. The inspection may relate to whether the network operators have fulfilled the cyber security obligations under the Cyber Security Law and other applicable laws and regulations, such as

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to formulate and implement cybersecurity management systems and operational procedures, determine the person responsible for cybersecurity, and to take technical measures to record and retain user registration information and online log information etc.

Personal Information Protection

General Rules of the Civil Law of the PRC (中華人民共和國民法總則) that was issued on March 15, 2017 and took effect on October 1, 2017 provides that natural persons' personal information shall be protected by law and any organizations and individuals shall legally collect personal information and ensure the security of personal information collected. It is not allowed to illegally collect, use, process or transfer the personal information.

Cyber Security Law also set forth the principle of protecting personal information collected through Internet, stipulating that network operators shall follow the principles of legality, rightfulness and necessity in collecting and using personal information, explicitly indicate the purposes, means and scope of collecting and using information, and obtain the consent of the persons whose information is collected. According to Decision of the SCNPC on Strengthening Information Protection on Networks (《全國人大常委會關於加強網絡信息保護的決定》) adopted on December 28, 2012, the state protects electronic information by which individual citizens can be identified and which involves the individual privacy of citizens. All organizations and individuals shall not obtain electronic personal information of citizens by theft or any other illegal means and shall not sell or illegally provide others with electronic personal information of citizens.

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), issued by the MIIT on December 29, 2011, which was effective since March 15, 2012, an internet information service provider shall not collect any personal information on a user or provide any such information to third parties without the user's consent. It must expressly inform the user of the method, content and purpose of the collection and processing of such user's personal information and shall only collect information to the extent necessary to provide its services. An Internet information service provider is also required to properly maintain users' personal information, and in case of any leak or likely leak of such information, it must take immediate remedial measures and, in the event of a serious leak, report to the telecommunication regulatory authority immediately.

On 16 July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) to regulate the collection, use, disclosure and security of users' personal information like user's name, date of birth, identity card number, address, telephone number, account number, passwords and other information with which the identity of the user can be distinguished independently or in combination with other information, as collected by telecommunications service operators and Internet information service providers in the process of providing services. Specifically, i) the users' personal information shall not be collected without prior

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consent; ii) the personal information shall not be used for any other purpose other than providing service; iii) the personal information shall be kept strictly confidential; and iv) a series of detail measures shall be taken to prevent any divulge, damage, tamper or loss of personal information of users.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released Interpretation on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which clarified several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including "citizen's personal information", "providing citizen's personal information" and "illegally obtaining citizen's personal information by other methods."

Any network service provider that refuses to perform the information security management obligation and to take corrective actions after being ordered by the regulatory authority, causing the divulgement of any citizen's personal information and other serious circumstances shall be convicted and punished for the crime of refusing to perform the information network security management obligation in accordance with Criminal Law.

App Provisions

Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the "**App Provisions**") promulgated by the CAC on June 28, 2016 and became effective on August 1, 2016 regulated the App information service providers and the App Store service providers.

Under the App Provisions, the App information service providers shall acquire relevant qualifications required by laws and regulations and implement the information security management responsibilities strictly and fulfill their obligations as follows: (i) shall authenticate the identity information of the registered users including their mobile telephone number and other identity information under the principle that mandatory real name registration at the back-office end, and voluntary real name display at the front-office end, (ii) shall establish and perfect the mechanism for the protection of users' information, and follow the principle of legality, rightfulness and necessity, indicate expressly the purpose, method and scope of collection and use and obtain the consent of users while collecting and using users' personal information, (iii) shall establish and perfect the mechanism for the examination and management of information content, and in terms of any information content released that violates laws or regulations, take such measures as warning, restricting the functions, suspending the update and closing the accounts as the case may be, keep relevant records and report the same to relevant competent authorities, (iv) shall safeguard users' right to know and to make choices when users are installing or using such applications, and shall neither start such functions as collecting the information of users' positions, accessing users' contacts, turning on the camera and recording the sound, or any other function irrelevant to the services, nor forcefully install any other irrelevant applications without prior consent of users when

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noticed expressly, (v) shall respect and protect the intellectual properties and shall neither produce nor release any application that infringes others' intellectual properties; and (vi) shall record the users' log information and keep the same for 60 days.

Pursuant to the Announcement of Launching Special Crackdown against Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》) issued and took effect on January 23, 2019, the Guideline to the Self-Assessment of Illegal Collection and Use of Personal Information by Apps (《App違法違規收集使用個人信息自評估指南》) issued and took effect on March 3, 2019, and the Methods for Identifying Unlawful Acts of Applications (Apps) to Collect and Use Personal Information (《App違法違規收集使用個人信息行為認定辦法》) issued and took effect on November 28, 2019, App operators shall follow the principle of legality, rightfulness and necessity for collection of personal information. Only personal information related to the service provided may be collected, and no personal information may be collected without the users' express consent.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (2019 Amendment) (《中華人民共和國企業所得稅法實施條例》(2019修訂)) (the “**Implementation of EIT Law**”), within the territory of China, enterprises and other organizations with income shall pay enterprise income tax. Under the EIT Law, enterprises are categorized into resident and non-resident enterprises. Resident enterprises, which are established in China, or which is established under the law of a foreign country (region) but has de facto management body inside China, are subject to the uniform 25% enterprise income tax rate for their global income. It is also provided that the enterprise income tax shall be levied at the reduced rate of 20% for qualified “small and thin-profit enterprises” and the enterprise income tax shall be levied at the reduced rate of 15% for “new and high technology enterprises” in key industries supported by the PRC government. In certain circumstances, the enterprise income tax may be exempted or reduced, or preferential enterprise income tax may be granted.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the SAT and last amended on December 29, 2017 sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside the PRC and controlled by PRC enterprises or PRC enterprise group located within the PRC.

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According to the Notice of the State Council on Issuing Several Policies on Encouraging the Development of the Software and Integrated Circuit Industries (《國務院關於印發鼓勵軟件產業和集成電路產業發展若干政策的通知》) which was issued on 24 June 2000 and Notice of the State Council on Issuing Several Policies on Further Encouraging the Development of the Software and Integrated Circuit Industries (《國務院關於印發進一步鼓勵軟件產業和集成電路產業發展若干政策的通知》) which was issued on 28 January 2011, software enterprises enjoyed preferential policies on enterprise income tax and value-added tax. Notice of the MOF and SAT on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (No. 27 [2012] of MOF) (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》(財稅[2012]27號)) stipulated that if key software enterprises does not enjoy the preferential treatment of tax exemption in the current year, they shall be subject to the enterprise income tax at the reduced rate of 10%. For the tax obtained by a software enterprise which enjoys the value added tax policy of immediate refund right after collection, if this refunded tax is only used by the enterprise for research and development and expansion of reproduction of software products and accounted for separately, such an amount of tax shall be considered as tax-free income and be deducted from the total revenue when calculating the amount of taxable income.

Since the licensing approval items for software enterprises enjoying tax preferences have been cancelled, Notice of the MOF, SAT, NDRC and MIIT on Issues concerning Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industries (No. 49 [2016] of MOF) (《財政部、國家稅務總局、發展改革委、工業和信息化部關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》(財稅(2016)49號)) and Announcement of the SAT on Issuing the Revised Measures for the Handling of Matters concerning Preferential Enterprise Income Tax Policies (No. 23 [2018] of the SAT) (《國家稅務總局關於發佈修訂後的〈企業所得稅優惠政策事項辦理辦法〉的公告》(國家稅務總局公告2018年第23號)) stipulated that the enjoyment of preferences by enterprises shall be handled in the manner of “independent judgment, declaration for enjoyment, and retention of relevant materials for future reference.”

Dividend Tax

Pursuant to the EIT Law, income from equity investment between qualified PRC resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt.

According to the Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was effective since August 21, 2006, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident company if such Hong Kong resident company directly holds at least 25% of the equity interests in the PRC company, otherwise the 10% withholding tax rate applies.

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Pursuant to the Circular of the SAT on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) which took effect on February 20, 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements: (i) the tax resident that receives dividends should be a company as provided in the tax agreement, (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reach the percentages specified in the tax agreement; and (iii) the equity interests of the Chinese resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement. On February 3, 2018, the SAT issued the Notice on Certain Issues regarding Beneficial Owner in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》) which took effect on April 1, 2018, providing clearer guidelines and adopting comprehensive assessment approaches on determining whether a company can be qualified as a Beneficial Owner, which is necessary in order to enjoy the preferential tax rate on dividends.

Pursuant to Announcement of SAT on Issues Concerning Expanding the Applicable Scope of the Policy of Temporary Exemption of Withholding Taxes on the Direct Investment Made by Overseas Investors with Distributed Profits (《國家稅務總局關於擴大境外投資者以分配利潤直接投資暫不徵收預提所得稅政策適用範圍有關問題的公告》) which took effect on January 1, 2018, where the profits distributed by a resident enterprise within the territory of China to an overseas investor are directly invested in an investment project which is not in the prohibited category and is in conformity with the specified conditions, the project shall be governed by the deferred tax payment policy and be temporarily exempt from withholding income tax.

Value-added Tax

Pursuant to the Interim Regulation of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 and last amended on November 19, 2017, all entities and individuals in the PRC engaging in sale of goods or labor services of processing, repair or replacement, sale of services, intangible assets, or immovables, or import of goods shall pay value-added tax for the added value derived from the process of manufacture, sale or services.

On November 16, 2011, the MOF and the SAT jointly promulgated the Pilot Plan for Levying Value-Added Tax in lieu of Business Tax (《營業稅改徵增值稅試點方案》). Starting from January 1, 2012, the PRC government has been gradually implementing a pilot programme in certain provinces and municipalities, to levy a 6% VAT on revenue generated from certain kinds of services in lieu of the business tax.

On March 23, 2016, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改徵增值稅試點的通知》) which confirms that business tax will be completely replaced by the VAT from May 1, 2016.

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According to the MOF and SAT on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) which took effect on May 1, 2018, where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively, and are further adjusted to be 13% and 9% respectively in accordance with the Announcement of the MOF, the SAT and the GAC on Deepening the Policies Related to Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) which took effect on April 1, 2019.

Notice of the MOF and SAT on VAT Policies for Software Products (No. 100 [2011] of MOF) (《財政部、國家稅務總局關於軟件產品增值稅政策的通知》財稅[2011]100號)) specified that if general VAT taxpayers sell self-developed and produced software products, after VAT has been collected at a tax rate of 17%, the refund-upon-collection policy shall be applied to the part of actual VAT burden in excess of 3%.

Urban Maintenance and Construction Tax as well as Education Surcharges

According to the Interim Regulation of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the PRC State Council on February 8, 1985 and amended on January 8, 2011, a taxpayer of consumption tax, value-added tax or business tax is required to pay a municipal maintenance tax calculated on the basis of consumption tax, value-added tax and business tax. The tax rate is 7% for a taxpayer in an urban area, 5% for a taxpayer in a county or a town, and 1% for a taxpayer not in any urban area or county or town.

The Interim Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) issued on April 28, 1986 and lately amended on January 8, 2011 provided that taxpayers of consumption tax, value-added tax and business tax shall pay educational surcharges. Educational surcharges are evaluated on the amount of value-added tax, business tax or consumption tax actually paid by entities and individuals, collected at the rate of 3%, and paid simultaneously with value-added tax, business tax or consumption tax. It is also stipulated that enterprises' educational surcharges are to be paid with sales income (or business income).

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulation**”) enacted by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, domestic institutions and individuals can transfer their foreign exchange income back into the PRC territory or deposited overseas. Before making direct investment, issuing or trading negotiable securities or derivative products overseas, domestic institutions or individuals shall comply with the registration formalities at the foreign exchange administrative department of the State Council. If the relevant state provisions require them to get the approval of the competent department or archive the issue with the competent department, they shall do so before proceeding to fulfill the registration formalities.

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In accordance with the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》), which took effect on 1 July 1996, a foreign invested enterprise is allowed to handle the settlement and sale of and payment in foreign exchange for capital account items after submitting valid commercial documents and getting approval from SAFE. According to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “Direct Investment-related Foreign Exchange Policies”), which took effect on 1 June 2015, certain approval rights of the SAFE were authorized to qualified banks.

In March 2015, SAFE released the Notice on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-funded Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), pursuant to which the PRC government conducts the willingness settlement of foreign exchange capital of foreign-funded enterprises, which means that enterprises can settle their foreign exchange capital based on their actual management needs after the monetary contribution has been confirmed by the SAFE or recorded by banks. RMB funds obtained from the willingness settlement of foreign exchange capital will be included in the account for settled foreign exchange to be paid for management. The capital funds of foreign-funded enterprises can only be used within the enterprises’ business scope under authenticity and self-use principles.

In October 2019, the SAFE released the Notice on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which, among others, canceled the restrictions on the domestic equity investment by non-investment foreign-funded enterprises with their capital funds and non-investment foreign-funded enterprises are allowed to make domestic equity investment with their capital funds in accordance with the law on the premise that the existing special administrative measures (Negative List) for foreign investment access are not violated and the projects invested thereby in China are true and compliant.

In accordance with the SAFE Circular No. 37, a “special purpose vehicle” means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. Domestic residents establishing or taking control of a special purpose vehicle abroad which makes round-trip investments in the PRC are required to file foreign exchange registration with the local foreign exchange bureau. According to the Direct Investment-related Foreign Exchange Policies, the initial foreign exchange registration for establishing or taking control of a special purpose vehicle by domestic residents can be filed with a qualified bank, instead of the local foreign exchange bureau.

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SAFE promulgated the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "Stock Option Rules") on February 15, 2012, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan or the PRC agent or any other material changes. The PRC agent must apply to SAFE or its local branches on behalf of the PRC residents who have the right to exercise the employee share options for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents.

LAWS AND REGULATIONS RELATING TO COMPETITION AND ANTI-MONOPOLY

Anti-monopoly Law

Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) (the "**Anti-monopoly Law**"), which was promulgated by SCNPC on August 30, 2007 and took effect on August 1, 2008, prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, by (i) joint boycotting transactions, (ii) fixing or changing the price of commodities, (iii) limiting the output of commodities, (iv) allocating the markets for sales or purchases of raw materials, (v) limiting the purchase of new technology and new facilities or the development of new products and new technology, (vi) fixing the price of commodities or restricting the lowest price of commodities for resale to third parties; or (vii) other acts stipulated by laws or identified by relevant governmental authorities, unless such agreement can satisfy the limited exemptions under the Anti-monopoly Law. Sanctions for violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue from the previous year, or RMB500,000 if the intended monopoly agreement has not been performed).

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Besides, a business operator with a dominant market position may not abuse its dominant market position by (i) selling commodities at unfairly high prices or buying commodities at unfairly low prices, (ii) selling products at prices below cost without any justifiable cause, (iii) refusing to trade with a trading party without any justifiable cause, (iv) requiring a counterparty to trade exclusively with it or undertakings appointing by it without legitimate reasons, (v) tie-in sales or imposing other unreasonable trading conditions without justifiable cause, (vi) applying differentiated prices or other transaction terms to equivalent counterparties; or other acts identifies by relevant governmental authority. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year).

Anti-unfair Competition Law

Competition among business operators is generally governed by the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “Anti-unfair Competition Law”), which was promulgated by SCNPC on September 2, 1993 and amended on November 4, 2017 and April 23, 2019 respectively. According to the Anti-unfair Competition Law, when trading on the market, operators must abide by the principles of voluntariness, equality, fairness and honesty and observe laws and business ethics. Acts of operators constitute unfair competition where they contravene the provisions of the Anti-unfair Competition Law and disturb market competition with a result of damaging the lawful rights and interests of other operators or consumers. When the lawful rights and interests of an operator are damaged by the acts of unfair competition, it may institute proceedings in a people’s court. In comparison, where an operator commits unfair competition in contravention of the provisions of the Anti-unfair Competition Law and causes damage to another operator, it will be responsible for compensating for the damages. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages will be the profit gained by the infringer through the infringing act. If an operator seriously infringes a trade secret in bad faith, the amount of compensation the operator will undertake will be up to not more than five times the amount of such damages. The infringer will also bear all reasonable costs paid by the injured operator to prevent the infringement.

Price Law

Pursuant to the Price Law of the PRC (中華人民共和國價格法) (the “**Price Law**”), which was promulgated by SCNPC on December 29, 1997 and effective on May 1, 1998, the operators must, in determining prices, abide by the principles of fairness, being in conformity with law, honesty and credibility. Production and management costs and market supply and demand factors must be the fundamental basis for the determination of prices by operators.

Operators may not commit unfair price acts such as (i) manipulating market prices in collusion to the detriment of the lawful rights and interests of other operators or consumers (ii) selling products at price lower than cost with purpose of eliminating competitors or monopolizing the market, (iii) driving up product prices unreasonably by disseminating false information, (iv) deceiving consumers or other managers into transaction by false or misleading prices; and (v) employing price discrimination against other operators with equal

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transaction conditions when providing the same products or services. Any operator who commits any of the unfair price acts prescribed in the Price Law will be ordered to make a rectification, have the illegal gains confiscated and may be imposed a fine of up to five times of the illegal gains; where the circumstances are serious, an order will be issued for the suspension of business operations for consolidation, or the business license will be revoked by the SAMR.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was issued by the SCNPC on 7 September 1990, came into effect on 1 June 1991 and amended on 27 October 2001 and 26 February 2010, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was issued by the National Copyright Administration on February 20, 2002, regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognizes the China Copyright Protection Center as the software registration organization. The Copyright Protection Center of China will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》), which also outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer agreements. The Copyright Protection Center of China is mandated as the software registration agency under the regulations.

Trademark

According to the Trademark Law of the PRC (2019 Revision) (《中華人民共和國商標法》(2019修訂)) and the Regulation on the Implementation of the Trademark Law of the PRC (2014 Revision) (《中華人民共和國商標法實施條例》(2014修訂)), entities and individuals who need to acquire the right to exclusively use a trademark on the goods or services thereof in the course of business operations shall submit application to the Trademark Office for trademark registration. The exclusive right to use a registered trademark is limited to the trademark registered and to the goods in respect of which the registration has been made. The period of validity of a registered trademark is ten years, starting from the date of registration. Trademark registrants can renew the registration within twelve months before the expiry of the period of validity. Noticeably, the new amendment specifies that a bad faith application for trademark registration for the purpose other than use shall be rejected.

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Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was issued by the MIIT on August 24, 2017 and came into effect on November 1, 2017, MIIT is responsible for managing internet network domain names of China. The “.CN” and the “zhongguo (in Chinese character)” shall be China’s national top level domains. The principle of “first-to-file” is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder’s identity for the registration purpose, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL INSURANCE

Labor

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers.

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008 and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and became effective on 18 September 2008, employers and employees shall enter into written labor contracts to establish their employment relationship. The labor contracts shall set forth the terms, duties, remunerations, disciplinary rules of the employment and the conditions to terminate the labor contracts. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the date when the employee begins to work.

Social Insurance and Housing Provident Fund Regulations

According to the Law of Social Security of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and effective from July 1, 2011, and was subsequently amended on December 29, 2018, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), Regulations on Work Injury Insurance (《工傷保險條例》), Regulations on Unemployment Insurance (《失業保險條例》) and Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), the employer shall register with the social insurance authorities and contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and

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maternity insurance contributions shall be paid only by employers, and employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; and where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was effected on April 3, 1999 and last amended on March 24, 2019, employers shall undertake to register with the competent administrative center of housing provident fund (the “Center”) and upon the verification by the Center, open accounts of housing provident fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

The employer shall process housing provident fund payment and deposit registrations with the Center. Companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees shall be ordered by the Center to complete such procedures within a prescribed time limit, failure of which will result in a fine of not less than RMB10,000 but not more than RMB50,000. When an employer breaches these regulations and fails to pay up housing provident fund contributions in full amount as due, the Center shall order such employer to pay up within a prescribed time limit. Where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people’s court for compulsory enforcement.

LAWS AND REGULATIONS RELATING TO OVERSEAS DIRECT INVESTMENT

The Administrative Measures for Overseas Investment Management (《境外投資管理辦法》) was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014. As defined by the Administrative Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall be filed with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

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On December 26, 2017, NDRC issued the Administrative Measures for the Overseas Investment of Enterprises (《企業境外投資管理辦法》), which took effect on March 1, 2018. Under the Measures, sensitive overseas investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive overseas investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of the large-amount non-sensitive overseas investment projects with the investment amount of USD300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make overseas investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis. Subsequently on January 31, 2018, NDRC issued the Catalogue of Sensitive Overseas Investment Industry (2018 Version) (《境外投資敏感行業目錄(2018年版)》) effective from March 1, 2018, under which enterprises shall be restricted from making overseas investments in certain industries including without limitation news media, real estate and hotel.

As advised by the PRC Legal Advisor, our business operations had been carried out in compliance with applicable laws and regulations in the PRC in all material aspects during the Track Record Period and up to the Latest Practicable Date.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Gao, Mr. Chen and Mr. Jiang are interested in and control, through various intermediary entities, an aggregate of approximately 58.72% of the issued share capital of our Company. These intermediary entities (the “**Intermediary Shareholders**”), including GHTongRui Investment Limited and its shareholders MYTongRui Holdings Limited and GHTongRui Holdings Limited, HengXinYuan Investment Limited and its shareholders SunshineMorning Holdings Limited and HengXinYuan Holdings Limited, LINGFAN Investment Limited and its shareholders Mindfree Holdings Limited and BANGZHEN Holdings Limited, together formed a group of Controlling Shareholders with Mr. Gao, Mr. Chen and Mr. Jiang. Immediately upon completion of the Global Offering (without taking into account any Shares to be allotted and issued upon the exercise of the Over-allotment Option), Mr. Gao, Mr. Chen and Mr. Jiang will be interested in and will control, through the Intermediary Shareholders, an aggregate of approximately 46.99% of the issued share capital of our Company and will remain as Controlling Shareholders of our Group.

Mr. Gao, Mr. Chen and Mr. Jiang are the founders of our Group and they, being our executive Directors, are primarily responsible for the overall strategic planning, business direction and product development of our Group. Mr. Gao, Mr. Chen and Mr. Jiang collectively had owned and will own directly or indirectly more than 30% of the interests in Ming Yuan Cloud Technology and our Company during the Track Record Period and at the time of Listing, and as such had exercised and will exercise their collective decisions in major issues regarding our Group. Mr. Gao, Mr. Chen and Mr. Jiang had also been directors of Ming Yuan Cloud Technology during the Track Record Period and will remain as Directors at the time of Listing. Since the establishment of our Group, Mr. Gao, Mr. Chen and Mr. Jiang have been the key decision makers of our Group in respect of the overall strategy and daily operation and management of our Group and they discuss major issues regarding our Group’s business from time to time, and reach consensus on these issues before Shareholders or Board meetings are convened. In addition to the standard corporate resolutions, Mr. Gao, Mr. Chen, Mr. Jiang and our Board passed unanimous written resolutions on all key corporate decisions including matters such as the introduction of Pre-IPO Investors and the relevant Reorganization steps, the details of which are set out in the section headed “History, Reorganization and Corporate Structure — Reorganization” of this prospectus. Based on the above, we consider that Mr. Gao, Mr. Chen and Mr. Jiang, together with the Intermediary Shareholders, formed a group of Controlling Shareholders of our Group.

As disclosed in the section headed “History, Reorganization and Corporate Structure — Application for Listing in PRC and Listing on and Delisting from NEEQ” of this prospectus, Ming Yuan Cloud Technology was listed on the NEEQ from June 19, 2015 to January 16, 2019. In order to fulfill relevant requirements for a listing in the PRC, Mr. Gao, Mr. Chen and Mr. Jiang entered into an acting in concert agreement with respect to Ming Yuan Cloud Technology on November 18, 2010. As Ming Yuan Cloud Technology has delisted from the NEEQ in January 2019, and in order to more easily manage their respective shareholding interest for, among others, setting up family trusts, Mr. Gao, Mr. Chen and Mr. Jiang terminated the acting in concert Agreement on October 9, 2019. Such termination does not affect Mr. Gao, Mr. Chen

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

and Mr. Jiang to continue to act as a group of Controlling Shareholders of our Company given that they continue to discuss major issues regarding our Group's business and reach consensus as disclosed above. As confirmed by Mr. Gao, Mr. Chen and Mr. Jiang, there was no disagreement among them when considering the termination of the acting in concert agreement.

Based on the due diligence works conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the basis set out above on which Mr. Gao, Mr. Chen and Mr. Jiang, together with the Intermediary Shareholders, are a group of Controlling Shareholders.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of 9 Directors comprising 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. For more information, see the section headed "Directors and Senior Management" in this prospectus.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have 3 independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. In addition, the interested Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates (as

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

defined in the Articles) is materially interested in except for certain circumstances as set out in the Articles. For details, see the section headed “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III; and

- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “— Corporate Governance Measures” in this section below for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

We operate independently of our Controlling Shareholders. Our Company (through our subsidiaries and our Consolidated Affiliated Entity) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

There are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates as of the Latest Practicable Date.

Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders after the Listing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company, its subsidiaries and the Consolidated Affiliated Entity, our Controlling Shareholders and Directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

In order to ensure that direct competition does not develop between us and the activities of our Controlling Shareholders, Mr. Gao, Mr. Chen and Mr. Jiang entered into a deed of non-competition in favor of our Company on September 4, 2020, pursuant to which each of Mr. Gao, Mr. Chen and Mr. Jiang has undertaken to our Company (for itself and for the benefit of its subsidiaries and Consolidated Affiliated Entity) that he would not, and he would use his best endeavors to procure that his associates (except any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our Group (“**Restricted Business**”), save for that each of Mr. Gao, Mr. Chen and Mr. Jiang, or any of their respective associates, is allowed under the deed of non-competition to hold not more than 10% of the issued share capital of (i) any companies listed on any stock exchange; or (ii) any non-public companies, which are engaging in the Restricted Business.

Pursuant to the deed of non-competition, the obligations of Mr. Gao, Mr. Chen and Mr. Jiang thereunder would terminate on the earliest of the date on which they cease to hold, directly or indirectly, in aggregate 30% or more of the issued shares of our Company or the Shares cease to be listed and traded on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interest. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of his associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and
- (g) we have appointed Maxa Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

We have entered into certain agreements under the Contractual Arrangements with parties that will be our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with our Group under the Contractual Arrangements, will be connected persons of our Group:

| Name | Connected Relationship |
|-----------|--|
| Mr. Gao | an executive Director and substantial shareholder of our Company |
| Mr. Chen | an executive Director and substantial shareholder of our Company |
| Mr. Jiang | an executive Director and Chief Executive Officer of our Company |

CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group which are subject to reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Contractual Arrangements

Background for the Contractual Arrangements

Our Consolidated Affiliated Entity, Ming Yuan Cloud Procurement, operates a procurement and supply chain management platform, which involves the provision of procurement information for property developers and suppliers for fees through Ming Yuan Cloud Procurement under a series of Contractual Arrangements entered into between Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement and the Relevant Shareholders, namely Mr. Gao, Mr. Chen and Mr. Jiang. Through these Contractual Arrangements, we exercise effective control over the operations of Ming Yuan Cloud Procurement. The Contractual Arrangements enable us to (i) receive 80% of the economic benefits from Ming Yuan Cloud Procurement in consideration for the services provided by Ming Yuan Cloud Technology to Ming Yuan Cloud Procurement, (ii) exercise effective control over Ming Yuan Cloud Procurement; and (iii) hold an exclusive option to purchase all or part of the equity interests in Ming Yuan Cloud Procurement held by the Relevant Shareholders and any or all of the assets of Ming Yuan Cloud Procurement, when and to the extent permitted by PRC laws.

CONNECTED TRANSACTIONS

Please refer to the section headed “Contractual Arrangements” in this prospectus for details. The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company and are subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Principal Terms of the Transactions

The Contractual Arrangements comprise the following agreements: Exclusive Business Cooperation Agreement, Powers of Attorney, Exclusive Option Agreement and Equity Pledge Agreement and a spousal undertaking by the respective spouse of each of Mr. Gao, Mr. Chen and Mr. Jiang. Details of the continuing connected transactions (i.e. the transactions contemplated under the said agreements which constitute the Contractual Arrangements) entered into between the relevant connected persons and our Group are set out in the section headed “Contractual Arrangements” in this prospectus.

Listing Rules Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5% on an annual basis. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Waiver Application and the View of Our Directors on the Continuing Connected Transactions

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and a part of our business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole.

Our Directors also believe that our Group’s structure, whereby the financial results of the Consolidated Affiliated Entity are consolidated into our Group’s financial statements as if it was our Group’s 80% owned subsidiary, and 80% of the economic benefits of its business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent shareholders.

CONNECTED TRANSACTIONS

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent shareholders' approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

APPLICATION FOR AND CONDITIONS FOR WAIVER

In view of the above, we have applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange has granted, a waiver from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements, (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to Ming Yuan Cloud Technology under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as our Shares are listed on the Stock Exchange subject to the following conditions:

- (a) *No Change without Independent Non-executive Directors' Approval* – No change to the Contractual Arrangements (including with respect to any fees payable to Ming Yuan Cloud Technology thereunder) will be made without the approval of the independent non-executive Directors.
- (b) *No Change without Independent Shareholders' Approval* – Save as described in “—Renewal and Reproduction” below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in “—Renewal and Reproduction” below) will however continue to be applicable.
- (c) *Economic Benefits Flexibility* – The Contractual Arrangements shall continue to enable our Group to receive 80% of the economic benefits derived by the Consolidated Affiliated Entity through our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of (i) the equity interests in the Consolidated Affiliated Entity held by the Relevant Shareholders for a nominal price or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which 80% of the profit generated by the Consolidated Affiliated Entity is retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Ming Yuan Cloud Technology by the Consolidated Affiliated Entity under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, 80% of the voting rights of the Consolidated Affiliated Entity.

CONNECTED TRANSACTIONS

- (d) *Renewal and Reproduction* – On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated Entity, on other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.
- (e) *Ongoing Reporting and Approvals* – Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:
- (i) The Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report and accounts in accordance with the relevant provisions of the Listing Rules.
 - (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report and accounts for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the Consolidated Affiliated Entity has been substantially retained by Ming Yuan Cloud Technology, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

- (iii) Our Company's auditors will carry out procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, at least 10 business days before our Company bulk prints its annual report, reporting their findings whether the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entity will be treated as our Company's 80% owned subsidiary, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entity and their respective associates will be treated as our Company's "connected persons." As such, transactions between these connected persons and our Group (including for this purpose the Consolidated Affiliated Entity) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.
- (v) The Consolidated Affiliated Entity undertakes that, for so long as the Shares are listed on the Stock Exchange, they will provide our Group's management and our Company's auditors with full access to its relevant records for the purpose of procedures to be carried out by our Company's auditors' on the connected transactions.

JOINT SPONSORS' AND DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in this section have been entered into and are conducted: (i) in the ordinary and usual course of our business, (ii) on normal commercial terms; and (iii) are fair and reasonable and in the interests of our Shareholders as a whole.

Based on the relevant documents and information provided by our Group and reviewed by the Joint Sponsors, the necessary representations and confirmations provided by our Company and the Directors to the Joint Sponsors and the Joint Sponsors' participation in the due diligence and discussions with the management of our Company and the PRC Legal Advisor, the Joint Sponsors are of the view that the Contractual Arrangements are fundamental to our Group's legal structure and a part of our business operations.

CONNECTED TRANSACTIONS

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is justifiable and normal business practice to ensure that (i) the financials and operation of the Consolidated Affiliated Entity can be effectively controlled by Ming Yuan Cloud Technology, (ii) Ming Yuan Cloud Technology can obtain 80% of the economic benefits derived from the Consolidated Affiliated Entity, and (iii) any possible leakage of assets and values of the Consolidated Affiliated Entity can be prevented, on an uninterrupted basis.

The Joint Sponsors are of the view that the non-exempt continuing connected transactions described above, and for which the waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

As at the date of this prospectus, our Board of Directors comprises 9 Directors, including 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. Our executive Directors, non-executive Directors and independent non-executive Directors will be subject to rotation and re-election at the annual general meetings of our Company in accordance with the Articles of Association.

The following table sets out information in respect of the Directors of our Company:

| Name | Age | Position | Role and responsibilities | Date of joining our Group | Date of appointment as a Director |
|----------------------------|-----|---|---|---------------------------|-----------------------------------|
| Mr. Gao Yu (高宇) | 50 | Executive Director and Chairman of the Board | Overall strategic planning and business direction of our Group and management of our Company, Chairman of the Nomination Committee and member of the Remuneration Committee | November 27, 2003 | July 3, 2019 |
| Mr. Chen Xiaohui (陳曉暉) | 49 | Executive Director and Vice President | Participating in the Board's work related to the operation and management of our Company and overseeing the research and development of our Group's products | November 27, 2003 | March 31, 2020 |
| Mr. Jiang Haiyang (姜海洋) | 50 | Executive Director and Chief Executive Officer | Participating in the Board's work related to the operation and management of our Company | November 27, 2003 | March 31, 2020 |
| Mr. Jiang Keyang (蔣科陽) | 41 | Executive Director, Chief Financial Officer and Joint Company Secretary | Overseeing financial and accounting matters of our Group, investor relations, and investments and acquisitions | May 9, 2008 | March 31, 2020 |
| Mr. Liang Guozhi (梁國智) | 47 | Non-executive Director | Providing professional advice to the Board | March 31, 2020 | March 31, 2020 |

DIRECTORS AND SENIOR MANAGEMENT

| Name | Age | Position | Role and responsibilities | Date of joining our Group | Date of appointment as a Director |
|------------------------|-----|------------------------------------|--|---------------------------|-----------------------------------|
| Mr. Yi Feifan (易飛凡) | 35 | Non-executive Director | Providing professional advice to the Board | October 25, 2019 | October 25, 2019 |
| Mr. Li Hanhui (李漢輝) | 43 | Independent Non-executive Director | Providing independent opinion and judgement to the Board, Chairman of the Remuneration Committee and member of the Audit Committee | September 4, 2020 | September 4, 2020 |
| Mr. Zhao Liang (趙亮) | 47 | Independent Non-executive Director | Providing independent opinion and judgement to the Board, member of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee | September 4, 2020 | September 4, 2020 |
| Ms. Zeng Jing (曾靜) | 42 | Independent Non-executive Director | Providing independent opinion and judgement to the Board, Chairperson of the Audit Committee and member of the Nomination Committee | September 4, 2020 | September 4, 2020 |

Executive Directors

Mr. Gao Yu (高宇), aged 50, was appointed as our Director on July 3, 2019, and re-designated as our executive Director on June 12, 2020. Mr. Gao was also appointed as the Chairman of our Board on June 12, 2020. Mr. Gao co-founded our Group in November 2003. He is responsible for the overall strategic planning and business direction of our Group and management of our Company.

Mr. Gao received a bachelor's degree in trade economy from Renmin University of China (中國人民大學) in July 1991.

Mr. Gao currently holds directorships in the following principal subsidiaries of our Group: Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement, Ming Yuan Cloud Client and Ming Yuan Cloud Space.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Xiaohui (陳曉暉), aged 49, was appointed as our Director on March 31, 2020, and re-designated as our executive Director on June 12, 2020. Mr. Chen was also appointed as our Vice President on June 12, 2020. Mr. Chen co-founded our Group in November 2003. He is responsible for the Board's work related to the operation and management of our Company and overseeing the research and development of our Group's products.

Mr. Chen received a bachelor's degree in radio communication from Xi'an Jiaotong University (西安交通大學) in July 1992 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in August 2014.

Mr. Chen currently holds directorship in the following principal subsidiaries of our Group: Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement and Ming Yuan Cloud Space.

Mr. Jiang Haiyang (姜海洋), aged 50, was appointed as our Director on March 31, 2020, and re-designated as our executive Director on June 12, 2020. Mr. Jiang was also appointed as our Chief Executive Officer on June 12, 2020. Mr. Jiang co-founded our Group in November 2003. He is responsible for the Board's work related to the operation and management of our Company.

Mr. Jiang received a bachelor's degree in management operating system from Tianjin University of Business (天津商學院) in July 1993.

Mr. Jiang currently holds directorship in the following principal subsidiaries of our Group: Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement, Ming Yuan Cloud Space and Ming Yuan Cloud Chain.

Mr. Jiang Keyang (蔣科陽), aged 41, was appointed as our Director on March 31, 2020, and re-designated as our executive Director on June 12, 2020. Mr. Jiang was also appointed as our Chief Financial Officer and one of our joint company secretaries on June 12, 2020. Mr. Jiang joined our Group in May 2008. He is responsible for overseeing the financial and accounting matters of our Group, investor relationships, and investments and acquisitions. Prior to joining our Group, Mr. Jiang worked as a staff accountant from October 2000 to September 2003, and senior accountant from October 2003 to December 2005, in Shenzhen Ernst & Young Hua Ming Certified Public Accountants (深圳市安永華明會計師事務所). Mr. Jiang also worked as a director of finance in Shenzhen Shenxun Information Technology Co., Ltd. (深圳市深訊信息技術股份有限公司) from November 2005 to May 2008.

Mr. Jiang received a bachelor's degree in economics from Shenzhen University in June 2000 and a master's degree in financial management from University of Alberta in June 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang received the Certificate of Qualification for CFO Enterprise Management Post (企業管理崗位財務總監資格證書) from the China Enterprise Federation (中國企業聯合會) in December 2006; the Corporate Finance Consultant Certificate from The International Capital Market Association and the ICMA Centre of University of Reading in January 2015; and the Senior International Financial Manager Qualification Certificate from the China Association of Chief Accountants (中國總會計師協會) and the International Financial Management Association in April 2019.

Mr. Jiang has also been admitted as an associate member by the Association of International Accountants since September 2019 and an international accountant by the Association of International Accountants and China Association of Chief Financial Officers (中國總會計師協會) since October 2019.

Non-executive Directors

Mr. Liang Guozhi (梁國智), aged 47, was appointed as our Director on March 31, 2020, and re-designated as our non-executive Director on June 12, 2020. Mr. Liang has acted as vice president in Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) since November 2008. Mr. Liang has also served as a non-executive Director in Guangdong Hybribio Biotech Co., Ltd. (廣東凱普生物科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300639), from November 2013 to September 2019.

Mr. Liang received a bachelor's degree in international finance and a master's degree in technical economy from School of Economics and Management, Tsinghua University (清華大學經濟管理學院) in July 1996 and June 1998, respectively.

Mr. Yi Feifan (易飛凡), aged 35, was appointed as our Director on October 25, 2019 and re-designated as our non-executive Director on June 12, 2020. Mr. Yi worked as a business analysis manager in Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司) from March 2010 to September 2011; assistant to the chief executive officer and director of the web games department in Beijing Aurora Interactive Network Technology Co., Ltd. (北京極光互動網絡技術有限公司) from October 2011 to May 2014; deputy investment director in Shenzhen Dachen Caizhi Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) from August 2014 to February 2018. Mr. Yi was also a director of Beijing Yuntu Teng Technology Co., Ltd. (北京雲途騰科技有限責任公司) from August 2016 to February 2018; director of FolangSi Co., Ltd. (廣州佛朗斯股份有限公司) from February 2017 to February 2018; and senior vice president in Shenzhen Guangyuan Consulting Management Co., Ltd. (深圳市光遠諮詢管理有限公司) since February 2018.

Mr. Yi received a bachelor's degree in electronic science and technology from Beijing Jiaotong University (北京交通大學) in July 2007.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Li Hanhui (李漢輝), aged 43, was appointed as our independent non-executive Director on September 4, 2020. Mr. Li acted as marketing director in Guangdong Huanbohai Real Estate Development Co., Ltd. (廣東環渤海房地產開發有限公司) from July 2005 to February 2007; secretary of the board of directors, director and deputy general manager in Shenzhen Kete Technology Co., Ltd. (深圳市科特科技股份有限公司) from January 2008 to March 2015; secretary of the board of directors in AVIT Ltd. (深圳市佳創視訊技術股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 300264), from July 2015 to September 2018; fund manager in Shenzhen Linfeng Investment Management Co., Ltd. (深圳麟烽投資管理有限公司) from October 2018 to July 2019; and managing director in Shenzhen Yetai Investment Management Co., Ltd. (深圳互泰投資管理有限公司) since August 2019.

Mr. Li received a bachelor's degree in law from South China University of Technology (華南理工大學) through the completion of the administration program for Upgrade of Junior College Students to Undergraduate Students (專升本) in September 2004.

Mr. Li has been admitted as a member of the Institute of Public Accountants Australia since December 2015. Mr. Li also received the Certification of Fund Practice Qualification (基金從業資格證書) from the Asset Management Association of China (中國證券投資基金業協會) in November 2018.

Mr. Zhao Liang (趙亮), aged 47, was appointed as our independent non-executive Director on September 4, 2020. Mr. Zhao acted as deputy general manager and secretary of the board of directors in Shenzhen Changfang Group Co., Ltd. (深圳市長方集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300301), from December 2010 to November 2012; an executive deputy general manager in charge of compliance risk for legal affairs in Ping An Caizhi Investment Management Co., Ltd. (平安財智投資管理有限公司) from April 2013 to January 2016; a partner and lead counsel in Shenzhen Greenpine Capital Management Co., Ltd. (深圳市松禾資本管理有限公司) since February 2016.

Mr. Zhao currently holds directorship in Shenzhen FRD Science & Technology Co., Ltd. (深圳市飛榮達科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300602), as an independent non-executive Director.

Mr. Zhao received a bachelor of arts degree in German language and literature from the Department of Western Languages of Peking University in July 1996; master of law degree in comparative legal theory from the Law School of Peking University in July 2000; and juris doctor in law degree from Humboldt University of Berlin in February 2004. Mr. Zhao has been recognized as a qualified PRC lawyer by the Chinese Ministry of Justice since May 7, 1999 and an arbitrator of the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) by the China International Economic and Trade Arbitration Commission since May 1, 2014.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zeng Jing (曾靜), aged 42, was appointed as our independent non-executive Director on September 4, 2020. Ms. Zeng acted as a staff accountant in Ernst & Young Hua Ming LLP (安永華明會計師事務所) from October 2000 to May 2004. She was a finance manager in Puhui Information Technology (Shenzhen) Co., Ltd. (普惠信息科技(深圳)有限公司) from October 2005 to June 2008. She also acted as a finance manager of Puchenghua Information Technology Consulting (Shenzhen) Co., Ltd. (普誠華信息科技諮詢(深圳)有限公司) (“**Puchenghua**”) from July 2008 to June 2014 and a business controller of Puchenghua from July 2014 to June 2016 and has been acting as the head of finance of Puchenghua in China since July 2016.

Ms. Zeng received a bachelor of economics degree in hotel management from Sun Yat-sen University in June 2000. Ms. Zeng is a Chinese certified public accountant recognised by the Chinese Institute of Certified Public Accountants since December 2009. She has also been a member of the Chartered Institute of Management Accountants and a chartered global management accountant recognized jointly by the Chartered Institute of Management Accountants since November 2018.

Save as disclosed above, none of our Directors holds any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. See “Appendix IV – Statutory and General Information” in this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

None of our Directors have any interest in any business, other than our Group’s business, which compete or is likely to compete, either directly or indirectly, with our Group’s business.

Save as disclosed in this prospectus, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters in respect of each of our Directors which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there were no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

| Name | Age | Position | Roles and responsibilities | Date of joining our Group |
|-------------------------|-----|---|---|---------------------------|
| Mr. Gao Yu (高宇) | 50 | Executive Director and Chairman of the Board | Overall strategic planning and business direction of our Group and management of our Company, Chairman of the Nomination Committee and member of the Remuneration Committee | November 27, 2003 |
| Mr. Chen Xiaohui (陳曉暉) | 49 | Executive Director and Vice President | Participating in the Board's work related to the operation and management of our Company and overseeing the research and development of our Group's products | November 27, 2003 |
| Mr. Jiang Haiyang (姜海洋) | 50 | Executive Director and Chief Executive Officer | Participating in the Board's work related to the operation and management of our Company | November 27, 2003 |
| Mr. Jiang Keyang (蔣科陽) | 41 | Executive Director, Chief Financial Officer and Joint Company Secretary | Overseeing the financial and accounting matters of our Group, investor relations, and investments and acquisitions | May 9, 2008 |
| Mr. Yao Wu (姚武) | 48 | Vice President | Responsible for our SaaS product, <i>CRM Cloud</i> (雲客) | October 8, 2006 |
| Mr. Tong Jilong (童繼龍) | 38 | Vice President | Responsible for business strategy and human resources of our Group | January 14, 2010 |

DIRECTORS AND SENIOR MANAGEMENT

Mr. Gao Yu (高宇), aged 50, is our executive Director and Chairman. Please see his biography in the part headed “– Executive Directors” in this section.

Mr. Chen Xiaohui (陳曉暉), aged 49, is our executive Director and Vice President. Please see his biography in the part headed “– Executive Directors” in this section.

Mr. Jiang Haiyang (姜海洋), aged 50, is our executive Director and Chief Executive Officer. Please see his biography in the part headed “– Executive Directors” in this section.

Mr. Jiang Keyang (蔣科陽), aged 41, is our executive Director, Chief Financial Officer and joint company secretary. Please see his biography in the part headed “– Executive Directors” in this section.

Mr. Yao Wu (姚武), aged 48, is our Vice President and joined our Group in October 2006. Mr. Yao is primarily responsible for our SaaS product, *CRM Cloud (雲客)*. He has acted as vice president of sales and marketing in Ming Yuan Cloud Technology from October 2006 to September 2009, where he was responsible for its brand management, as well as its sales and marketing management. Mr. Yao founded Ming Yuan Real Estate Research Institute in September 2009 and had been the president of the institute in charge of property development management trainings, management consulting services and brand marketing from September 2009 to July 2014. Since July 2014, he has been the chairman of the board and the chief executive officer of Ming Yuan Cloud Client.

Mr. Yao received a bachelor’s degree in engineering from Shenzhen University in June 1993 and a master’s degree in business administration from the China Europe International Business School in October 2011.

Mr. Tong Jilong (童繼龍), aged 38, is our Vice President and joined our Group in January 2010. Mr. Tong is primarily responsible for business strategy and human resources of our Group. Prior to joining our Group, he worked as IT director in Zhejiang Baoxiniao Group (浙江報喜鳥集團) from April 2002 to July 2004; manager of the information management center in Zhejiang Red Dragonfly Group (浙江紅蜻蜓集團) from July 2004 to February 2007; chief consultant of the marketing center in Shenzhen Daoxun Technology Development Co., Ltd. (深圳道訊科技開發有限公司) from March 2007 to August 2008; and product director in the apparel industry of the small business division in Yonyou Network Technology Co., Ltd. (用友網絡科技股份有限公司) (then known as Yonyou Software Co., Ltd. (用友軟件股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600588), from September 2008 to January 2010.

Mr. Tong obtained a diploma of Higher Education for Adults in Administration from Nanchang Normal University (南昌師範學院) (formerly known as Jiangxi Institute of Education (江西教育學院)) in January 2007 and a postgraduate diploma in information strategy and business transformation from the University of Hong Kong in September 2013.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Jiang Keyang (蔣科陽) our executive Director and Chief Financial Officer, was appointed as one of our joint company secretaries on June 12, 2020. Please see his biography in the sub-section headed “– Executive Directors” in this section.

Ms. Szeto Kar Yee Cynthia (司徒嘉怡) was appointed as one of our joint company secretaries on June 12, 2020. Ms. Szeto is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. She obtained a bachelor’s degree of Arts in Language Studies with Business from The Hong Kong Polytechnic University in November 2004 and a master’s degree of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in July 2012. Ms. Szeto has more than 10 years of professional and in-house experience in the company secretarial field. She works in the listing services department of TMF Hong Kong Limited and is responsible for providing corporate secretarial and compliance services to listed companies. She is currently a joint company secretary of Inke Limited, a company listed on the Stock Exchange (stock code: 3700).

COMMITTEES UNDER THE BOARD OF DIRECTORS

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with the terms of reference established by our Board of Directors.

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises 3 independent non-executive Directors, namely Ms. Zeng Jing, Mr. Li Hanhui and Mr. Zhao Liang. Ms. Zeng Jing, being the chairperson of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee comprises 1 executive Director, namely Mr. Gao Yu, and 2 independent non-executive Directors, namely Mr. Li Hanhui and Mr. Zhao Liang. Mr. Li Hanhui is the chairman of the committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to the Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises 1 executive Director, namely Mr. Gao Yu and 2 independent non-executive Directors, namely Ms. Zeng Jing and Mr. Zhao Liang. Mr. Gao Yu is the chairman of the committee.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance. For further information relating to our Company's corporate governance measures, please see the section headed "Relationship with the Controlling Shareholders — Corporate Governance Measures" of this prospectus.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board currently consists of one female Director and eight male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance and accounting and risk management, as well as professional experiences in financial leasing and banking. The Board of Directors are of the view that our Board satisfies the board diversity policy.

The Nomination Committee is responsible for reviewing the diversity of the Board. After Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

DIRECTORS' REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonus) for our Directors for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020 was approximately RMB3.51 million, RMB4.00 million, RMB2.38 million and RMB0.52 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

DIRECTORS AND SENIOR MANAGEMENT

For the three years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, the five highest paid individuals of our Group included 1, nil, nil and nil Directors, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the relevant Directors set out above. For the three years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the remaining 4, 5, 5 and 5 highest paid individuals who are not our Directors were RMB8.36 million, RMB9.17 million, RMB8.26 million and RMB2.44 million, respectively. For further details on the remuneration of the five highest paid individuals during the Track Record Period, see Note 10 of the Accountant's Report in Appendix I of this prospectus.

Save as disclosed, no other payments have been paid or are payable, in respect of the years ended December 31, 2017, 2018 and 2019 and for the three months ended March 31, 2020 by our Company to our Directors or senior management.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The compliance advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have interests or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

| Name of Shareholder | Capacity/ Nature of Interest | Number of Shares as of the Latest Practicable Date | Approximate percentage of voting rights in our Company upon the completion of the Global Offering (Assuming the Over-allotment Option is not exercised) | Approximate percentage of interest in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised) |
|---|------------------------------------|--|---|--|
| GHTongRui Investment Limited ⁽¹⁾ | Beneficial interest | 395,523,600 | 21.14% | 20.52% |
| MYTongRui Holdings Limited ⁽¹⁾ | Interest in controlled corporation | 395,523,600 | 21.14% | 20.52% |
| Mr. Gao ⁽¹⁾ | Settlor of a trust | 395,523,600 | 21.14% | 20.52% |
| HengXinYuan Investment Limited ⁽²⁾ | Beneficial interest | 296,644,800 | 15.86% | 15.39% |
| SunshineMorning Holdings Limited ⁽²⁾ | Interest in controlled corporation | 296,644,800 | 15.86% | 15.39% |
| Mr. Chen ⁽²⁾ | Settlor of a trust | 296,644,800 | 15.86% | 15.39% |
| LINGFAN Investment Limited ⁽³⁾ | Beneficial interest | 186,826,600 | 9.99% | 9.69% |
| Mindfree Holdings Limited ⁽³⁾ | Interest in controlled corporation | 186,826,600 | 9.99% | 9.69% |
| Mr. Jiang ⁽³⁾ | Settlor of a trust | 186,826,600 | 9.99% | 9.69% |

SUBSTANTIAL SHAREHOLDERS

| Name of Shareholder | Capacity/ Nature of Interest | Number of Shares as of the Latest Practicable Date | Approximate percentage of voting rights in our Company upon the completion of the Global Offering (Assuming the Over-allotment Option is not exercised) | Approximate percentage of interest in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised) |
|--|------------------------------------|--|---|--|
| TMF (Cayman) Ltd. ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ | Trustee of 4 trusts | 927,316,000 | 49.56% | 45.61% |
| MYC United Power Investment Holdings Limited | Beneficial interest | 128,562,800 | 6.87% | 6.67% |
| MYC Brilliant Alliance Investment Holdings Limited | Beneficial interest | 105,523,200 | 5.64% | 5.48% |
| Beijing Chenchuang ⁽⁵⁾ | Beneficial interest | 111,948,000 | 5.98% | 5.81% |
| Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)) ⁽⁵⁾ | Interest in controlled corporation | 111,948,000 | 5.98% | 5.81% |
| Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)) ⁽⁵⁾ | Interest in controlled corporation | 111,948,000 | 5.98% | 5.81% |

Notes:

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

SUBSTANTIAL SHAREHOLDERS

- (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, each of Mindfree Holdings Limited and Mr. Jiang 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 and LINGFAN Investment Limited as noted above, as well as JIABAOSZ Investment Limited. JIABAOSZ Investment Limited beneficially holds 48,321,000 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 (as the settlor) with him and his family members being the beneficiaries.
- (5) Beijing Chenchuang is held by Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)) and Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)) as to approximately 39.59% and 34.41%, respectively. Accordingly, they are deemed to be interested in the total number of Shares held by Beijing Chenchuang.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US\$276,000,000 (approximately HK\$2,139,055,200) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$15.00, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 142,602,000 Offer Shares, representing approximately (i) 38.1% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 33.1% of the Offer Shares (assuming the Over-allotment Option is exercised in full), (iii) 7.6% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), and (iv) 7.4% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK\$15.75, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 135,810,000 Offer Shares, representing approximately (i) 36.3% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 31.6% of the Offer Shares (assuming the Over-allotment Option is exercised in full), (iii) 7.3% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), and (iv) 7.0% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK\$16.50, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 129,637,000 Offer Shares, representing approximately (i) 34.6% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 30.1% of the Offer Shares (assuming the Over-allotment Option is exercised in full), (iii) 6.9% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), and (iv) 6.7% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect.

CORNERSTONE INVESTORS

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company, and the Cornerstone Investors will not have any Board representation in our Company. To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person or its associate (as defined in the Listing Rules), and for the asset manager that is a qualified domestic institutional investor to subscribe for and hold the Offer Shares on behalf of China Structural Reform Fund, such asset manager is a connected client of one of the Joint Bookrunners of the Global Offering; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, the Directors, chief executive, Controlling Shareholders, substantial shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, chief executive, Controlling Shareholders, substantial shareholders, existing Shareholders or any of its subsidiaries or their respective close associates. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around September 24, 2020.

If there is over-allocation in the International Offering, the over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by one out of the six Cornerstone Investors under the Cornerstone Placing, namely China Structural Reform Fund Corporation Limited. Where delayed delivery takes place, the Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares on the Listing Date. If there is no over-allocation in the International Offering, delayed delivery will not take place. For details of the Over-allotment Option, please refer to the sections headed “Structure of the Global Offering – Over-allotment Option” in this prospectus. There will be no delayed delivery of the Offer Shares for the other five Cornerstone Investors and no deferred settlement arrangement for all of the Cornerstone Investors under the Cornerstone Investment Agreements.

CORNERSTONE INVESTORS

As disclosed in the section headed “Underwriting – Underwriting Arrangements and Expenses – Commissions and Expenses” in this prospectus, the Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), which is the same for the Hong Kong Public Offering and the International Offering.

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$15.00 (being the Minimum Offer Price)

| Cornerstone Investor | Investment Amount (US\$ in million) [#] | Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares) | Approximate % of total number of Offer Shares | | Approximate % of total Shares in issue immediately following the completion of Global Offering | |
|--|---|---|---|---|--|---|
| | | | Assuming the Over-allotment Option is not exercised | Assuming the Over-allotment Option is exercised in full | Assuming the Over-allotment Option is not exercised | Assuming the Over-allotment Option is exercised in full |
| Gaoling Fund, L.P. and YHG Investment, L.P. | 86.00 | 44,434,000 | 11.9% | 10.3% | 2.4% | 2.3% |
| GIC Private Limited | 50.00 | 25,834,000 | 6.9% | 6.0% | 1.4% | 1.3% |
| China Structural Reform Fund Corporation Limited | 50.00 | 25,834,000 | 6.9% | 6.0% | 1.4% | 1.3% |
| Sequoia Capital China Growth | 30.00 | 15,500,000 | 4.1% | 3.6% | 0.8% | 0.8% |
| BlackRock Funds | 30.00 | 15,500,000 | 4.1% | 3.6% | 0.8% | 0.8% |
| Fidelity International | 30.00 | 15,500,000 | 4.1% | 3.6% | 0.8% | 0.8% |
| Total | 276.00 | 142,602,000 | 38.1% | 33.1% | 7.6% | 7.4% |

[#] Note: To be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$15.75 (being the mid-point of the Offer Price range)

| Cornerstone Investor | Investment Amount (US\$ in million) [#] | Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares) | Approximate % of total number of Offer Shares | | Approximate % of total Shares in issue immediately following the completion of Global Offering | |
|--|---|---|---|---|--|---|
| | | | Assuming the Over-allotment Option is not exercised | Assuming the Over-allotment Option is exercised in full | Assuming the Over-allotment Option is not exercised | Assuming the Over-allotment Option is exercised in full |
| Gaoling Fund, L.P. and YHG Investment, L.P. | 86.00 | 42,318,000 | 11.3% | 9.8% | 2.3% | 2.2% |
| GIC Private Limited | 50.00 | 24,603,000 | 6.6% | 5.7% | 1.3% | 1.3% |
| China Structural Reform Fund Corporation Limited | 50.00 | 24,603,000 | 6.6% | 5.7% | 1.3% | 1.3% |
| Sequoia Capital China Growth | 30.00 | 14,762,000 | 3.9% | 3.4% | 0.8% | 0.8% |
| BlackRock Funds | 30.00 | 14,762,000 | 3.9% | 3.4% | 0.8% | 0.8% |
| Fidelity International | 30.00 | 14,762,000 | 3.9% | 3.4% | 0.8% | 0.8% |
| Total | 276.00 | 135,810,000 | 36.3% | 31.6% | 7.3% | 7.0% |

[#] Note: To be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$16.50 being the Maximum Offer Price

| Cornerstone Investor | Investment Amount (US\$ in million) [#] | Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares) | Approximate % of total Shares | | | |
|--|---|---|---|---|--|---|
| | | | Approximate % of total number of Offer Shares | Assuming the Over-allotment Option is exercised in full | Approximate % of total Shares in issue immediately following the completion of Global Offering | Assuming the Over-allotment Option is exercised in full |
| Gaoling Fund, L.P. and YHG Investment, L.P. | 86.00 | 40,394,000 | 10.8% | 9.4% | 2.2% | 2.1% |
| GIC Private Limited | 50.00 | 23,485,000 | 6.3% | 5.5% | 1.3% | 1.2% |
| China Structural Reform Fund Corporation Limited | 50.00 | 23,485,000 | 6.3% | 5.5% | 1.3% | 1.2% |
| Sequoia Capital China Growth | 30.00 | 14,091,000 | 3.8% | 3.3% | 0.8% | 0.7% |
| BlackRock Funds | 30.00 | 14,091,000 | 3.8% | 3.3% | 0.8% | 0.7% |
| Fidelity International | 30.00 | 14,091,000 | 3.8% | 3.3% | 0.8% | 0.7% |
| Total | 276.00 | 129,637,000 | 34.6% | 30.1% | 6.9% | 6.7% |

[#] Note: To be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

1. Gaoling Fund, L.P. and YHG Investment, L.P.

Gaoling Fund, L.P. and YHG Investment, L.P. are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. (“**Hillhouse Capital**”) serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment, L.P..

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

CORNERSTONE INVESTORS

Our Company became acquainted with Gaoling Fund, L.P. and YHG Investment, L.P. through introduction by the Joint Global Coordinators in the Global Offering and our Company did not have any relationship with Gaoling Fund, L.P. and YHG Investment, L.P. prior to the introduction. To the best of the knowledge, information and belief of our Company and after making reasonable enquiries, Gaoling Fund, L.P. and YHG Investment, L.P. will use their own fund as its source of funding for the subscription.

2. GIC Private Limited

GIC Private Limited (“**GIC**”) is a global investment management company established in 1981 to manage Singapore’s foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US\$100 billion, GIC is amongst the world’s largest fund management companies.

Our Company became acquainted with GIC through introduction by one of the Joint Global Coordinators in the Global Offering and our Company did not have any relationship with GIC prior to the introduction. To the best of the knowledge, information and belief of our Company and after making reasonable enquiries, GIC’s source of funding for the subscription will be the foreign reserves of Singapore that GIC manages.

3. China Structural Reform Fund Corporation Limited

China Structural Reform Fund Corporation Limited (“**China Structural Reform Fund**”) is a company incorporated in the PRC which is indirectly controlled by SASAC. It is mainly engaged in business including non-public raising funds, equity investment, project investment, capital management, investment consulting and enterprise management consulting. For the purpose of the cornerstone investment, China Structural Reform Fund has engaged Shanghai Haitong Securities Asset Management Co., Ltd (“**HT AM**”), an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, to subscribe for and hold such Offer Shares on a discretionary basis on behalf of China Structural Reform Fund. In addition to the conditions precedent as set out in “– Closing Conditions” of this section below, the subscription obligation of China Structural Reform Fund is subject to the respective representations, warranties, undertakings and confirmations of our Company under the relevant Cornerstone Investment Agreement being accurate and true in all material respects and not misleading and there being no material breach of such Cornerstone Investment Agreement on the part of our Company.

Our Company became acquainted with China Structural Reform Fund through introduction by one of the Joint Global Coordinators in the Global Offering and our Company did not have any relationship with China Structural Reform Fund prior to the introduction. To the best of the knowledge, information and belief of our Company and after making reasonable enquiries, China Structural Reform Fund will use its own fund as its source of funding for the subscription.

CORNERSTONE INVESTORS

HT AM is a subsidiary of Haitong Securities Co., Ltd. (“**HT Securities**”), the parent company of Haitong International Securities Company Limited (“**HTI Securities**”). Accordingly, HT AM is a connected client of HTI Securities. HTI Securities has been appointed by our Company as one of the Joint Bookrunners of the Global Offering.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit China Structural Reform Fund to participate in the Global Offering through HT AM as a cornerstone investor subject to certain conditions. See “Waivers from Strict Compliance with the Listing Rules – Proposed Share Subscription by China Structural Reform Fund through HT AM” for further details.

4. Sequoia Capital China Growth

SCC Growth VI Holdco F, Ltd. (“**Sequoia Capital China Growth**”) is a company incorporated in the Cayman Islands and is a wholly-owned subsidiary of Sequoia Capital China Growth Fund VI, L. P. (“**Sequoia Capital China GVI Fund**”). Sequoia Capital China GVI Fund is an investment fund whose primary purpose is to make equity investments in private companies. The general partner of Sequoia Capital China GVI Fund is SC China Growth VI Management, L.P., whose general partner is SC China Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited.

Our Company became acquainted with Sequoia Capital China Growth through introduction by the Joint Global Coordinators in the Global Offering and our Company did not have any relationship with Sequoia Capital China Growth prior to the introduction. To the best of the knowledge, information and belief of our Company and after making reasonable enquiries, Sequoia Capital China Growth will use its own fund as its source of funding for the subscription.

5. BlackRock Funds

BlackRock Strategic Funds – BlackRock Asia Pacific Absolute Return Fund, BlackRock Global Funds – China Fund, BlackRock Global Funds – China Flexible Equity Fund, BlackRock Emerging Frontiers Fund Limited – CS Investment Portfolio, BlackRock Science and Technology Trust II and BlackRock Global Funds – Next Generation Technology Fund (“**BlackRock Funds**”) are managed by investment subsidiaries of BlackRock, Inc. (“**BlackRock**”), which have discretionary investment management power over the respective BlackRock Funds. BlackRock is listed on the New York Stock Exchange (stock code: BLK). As of June 30, 2020, the firm managed approximately US\$7.32 trillion in assets on behalf of investors worldwide. BlackRock’s shareholders’ and New York Stock Exchange’s approval are not required for BlackRock Funds’ subscription for the Offer Shares pursuant to the Cornerstone Investment Agreement. In addition to the conditions precedent as set out in “– Closing Conditions” of this section below, the subscription obligation of the BlackRock Funds is subject to the respective representations, warranties, acknowledgements, undertakings and

confirmations of our Company under the relevant Cornerstone Investment Agreement being accurate, true and complete in all material respects and not misleading or deceptive and there being no material breach of such Cornerstone Investment Agreement on the part of the investor and our Company. Further, the BlackRock Funds are entitled to terminate the Cornerstone Investment Agreement in the event there is a material breach of the Cornerstone Investment Agreement by our Company or other contracting parties or it is prevented or delayed from performing its obligations under the Cornerstone Investment Agreement as a result of circumstances beyond its control.

Our Company became acquainted with BlackRock Funds through introduction by one of the Joint Global Coordinators in the Global Offering and our Company did not have any relationship with BlackRock Funds prior to the introduction. To the best of the knowledge, information and belief of our Company and after making reasonable enquiries, BlackRock Funds will use their own funds as their source of funding for the subscription.

6. Fidelity International

FIL Investment Management (Hong Kong) Limited has entered into a Cornerstone Investment Agreement with our Company and the Joint Sponsors in the capacity as agent and/or fiduciary for the following entities: a sub-fund of Fidelity Global Investment Fund: Hong Kong Equity Fund, a sub-fund of Fidelity Funds – China Consumer Fund, a sub-fund of Fidelity Funds – Fidelity Asia Pacific Opportunities Fund, Fidelity China Special Situations PLC, a sub-fund of Fidelity Funds – Institutional Asia Pacific (ex Japan) Opportunities Fund, a sub-fund of Fidelity Global Investment Fund – Asia Pacific Equity Fund, a sub-fund of Fidelity Funds: Greater China Fund, a sub-fund of Fidelity Funds: Greater China II Fund, Fidelity Asia Fund, a sub-fund of Fidelity Investment Funds: Fidelity China Consumer Fund, a sub-fund of Fidelity Funds – Asia Pacific Dividend, a sub-fund of Fidelity Institutional Funds: South East Asia Fund, Fidelity Greater Canada Fund, a sub-fund of Fidelity Funds: Institutional Hong Kong Equity Fund, Fidelity Japan Asia Growth Mother Fund and certain other third-party funds and accounts all of which are advised or sub-advised by FIL Investment Management (Hong Kong) Limited and its related group of companies collectively known as Fidelity International (“**Fidelity International**”). In addition to the conditions precedent as set out in “– Closing Conditions” of this section below, the subscription obligation of Fidelity International is subject to the respective representations, warranties, undertakings and confirmations of our Company under the relevant Cornerstone Investment Agreement being accurate and true in all material respects and not misleading and there being no material breach of such Cornerstone Investment Agreement on the part of our Company.

Our Company became acquainted with Fidelity International through introduction by one of the Joint Global Coordinators in the Global Offering and our Company did not have any relationship with Fidelity International prior to the introduction. To the best of the knowledge, information and belief of our Company and after making reasonable enquiries, Fidelity International will use funds from funds and accounts managed by it as its source of funding for the subscription.

CORNERSTONE INVESTORS

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (ii) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
- (iii) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances for the relevant Cornerstone Investor, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):

| | Number of Shares | Aggregate nominal value of Shares |
|--|---------------------|---|
| Authorized share capital as of the date of this prospectus ⁽¹⁾ | 3,800,000,000 | HK\$380,000.00 |
| Shares in issue as of the date of this prospectus (assuming the Series A Preferred Shares are converted into ordinary shares on a 1:1 basis ⁽²⁾) | 1,496,815,990 | HK\$149,681.599 |
| Shares to be issued under the Global Offering | 374,204,000 | HK\$37,420.4 |
| Shares in issue immediately following the Global Offering | 1,871,019,990 | HK\$187,101.999 |

Notes:

- (1) The authorised share capital of our Company was HK\$380,000 divided into 3,800,000,000 shares of HK\$0.0001 each, of which 1,406,690,800 ordinary Shares and 90,125,190 Series A Preferred Shares are issued and fully paid up.
- (2) Each Series A Preferred Share will be converted into ordinary share at the conversion ratio of 1:1 by way of redesignation immediately prior to the completion of the Global Offering.

Assumptions

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. The above table also does not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

SHARE CAPITAL

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meetings are required

Upon completion of the Global Offering, our Company has only one class of Shares, namely ordinary shares, and each ranks pari passu with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital, (ii) consolidate and divide its share capital into shares of larger amount, (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of the Company and Cayman Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital” in Appendix III to this prospectus for further details.

Share Incentive Plan

We adopted the Share Incentive Plan on March 29, 2020. Please see the section headed “Statutory and General Information – D. Share Incentive Plan” in Appendix IV to this prospectus for further details.

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- 20% of the number of Shares in issue immediately following completion of the Global Offering; and
- the total number of Shares repurchased by us under the authority referred to in the paragraph headed “– General mandate to repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed “Statutory and General Information – A. Further Information about our Group – 3. Resolutions of our Shareholders” in Appendix IV to this prospectus for further details of this general mandate to allot, issue and deal with Shares.

SHARE CAPITAL

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with a total number of up to 10% of the total number of our Shares in issue immediately following the completion of the Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information – A. Further Information about our Group – 6. Repurchases of our Own Securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed “Statutory and General Information – A. Further Information about our Group – 3. Resolutions of our Shareholders” in Appendix IV to this prospectus for further details of this general mandate to repurchase Shares.

FINANCIAL INFORMATION

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountant's Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including but not limited to the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to 2017, 2018 and 2019 refer to our fiscal years ended December 31 of such years and references to the first quarter of 2019 and 2020 refer to the three months ended March 31, 2019 and 2020, respectively.

OVERVIEW

We provide enterprise-grade ERP solutions and SaaS products for property developers and other industry participants along the real estate value chain in China. We are the No. 1 software solution provider for property developers in China with a market share of 18.5% in terms of revenue in 2019, according to Frost & Sullivan. Within this market, we are also the No. 1 provider of both ERP solutions and SaaS products in terms of revenue, with leading market shares of 16.6% and 23.3%, respectively. Our ERP solutions and SaaS products enable property developers and other real estate industry participants such as suppliers and property asset management companies to streamline and digitalize their business operations.

Since our founding in 2003, we have been dedicated to driving the digital transformation of China's real estate industry. Through integrating our industry expertise with product innovation, we have developed a comprehensive suite of industry-specific ERP solutions and SaaS products for property developers and other real estate industry participants to manage a wide range of business operations, including sales and marketing, procurement, cost management, project management, budgeting, and property asset management.

FINANCIAL INFORMATION

We have a broad and high-quality customer base with long-term relationships. In 2019, we directly and indirectly served approximately 4,000 paying end group customers, including nearly 3,000 property developers. We directly and indirectly served 99 paying end group customers that were Top 100 property developers in 2019, which collectively contributed 42% of our total revenues in the same year. More than 70 of the Top 100 property developers had used our software solutions for more than five years. 90 of the Top 100 property developers in 2019 used both our ERP solutions and at least one of our SaaS products.

We achieved strong growth during the Track Record Period. Our total revenues increased at a CAGR of 47.7% from RMB579.6 million in 2017 to RMB1,264.0 million in 2019, and increased from RMB194.8 million for the three months ended March 31, 2019 to RMB253.8 million for the three months ended March 31, 2020. Our gross profit increased at a CAGR of 47.0% from RMB460.3 million in 2017 to RMB994.6 million in 2019, and increased from RMB144.1 million for the three months ended March 31, 2019 to RMB193.3 million for the three months ended March 31, 2020. Our net profit increased at a CAGR of 78.4% from RMB72.8 million in 2017 to RMB231.6 million in 2019, and increased from RMB6.9 million for the three months ended March 31, 2019 to RMB14.7 million for the three months ended March 31, 2020. Our non-IFRS adjusted EBITDA was RMB124.5 million, RMB201.5 million, RMB276.7 million, RMB14.3 million and RMB36.0 million in 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020, respectively. Our non-IFRS adjusted net income was RMB96.3 million, RMB163.0 million, RMB235.9 million, RMB6.9 million and RMB26.5 million in 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020, respectively. See “— Non-IFRS Measures” for a complete reconciliation of our non-IFRS measures to their most comparable IFRS measures.

BASIS OF PRESENTATION

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standard (“**IFRS**”) issued by International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, except for certain financial assets and financial liabilities (measured at fair value).

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountant’s Report included in Appendix I to this prospectus.

FINANCIAL INFORMATION

Application of IFRS 9, IFRS 15 and IFRS 16

Our historical financial information has been prepared based on our underlying financial statements, in which IFRS 9 “Financial instruments” (“IFRS 9”), IFRS15 “Revenue from contracts with customers” (“IFRS 15”) and IFRS 16 “Leases” (“IFRS 16”) have been adopted and applied consistently since the beginning of, and throughout, the Track Record Period instead of IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”), IAS 18 “Revenue” (“IAS 18”) and IAS 17 “Leases” (“IAS 17”).

Our Directors consider that the application of IFRS 9, IFRS 15 and IFRS 16 did not have significant impact on our financial position and performance compared to the requirements of IAS 39, IAS 18 and IAS 17 during the Track Record Period.

Main Differences between IFRSs and PRC GAAP

Before the delisting of our Group from the NEEQ, we have prepared and disclosed our historical financial information under PRC GAAP. In this prospectus, historical financial information has been prepared in accordance with IFRS. There are certain main differences between PRC GAAP and IFRS, which, among others, results in differences between our historically disclosed financial information for the year ended December 31, 2017 and that contained in this Document. Under IFRS 15, revenue of ERP implementation and value-added services is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Whereas under PRC GAAP, the abovementioned revenue was recognised at a point in time upon the final examination and acceptance of the project by the customer. This has resulted in discrepancies in the amount of revenue recognised during the year ended December 31, 2017 between the NEEQ annual report and this document. IFRS 9, among other things, requires our investments to be classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income. Before January 1, 2019, under PRC GAAP, (i) unlisted investments are classified as available-for-sale financial assets at cost and measured at cost less impairment. Impairment loss is recognized in profit or loss; (ii) listed investments are classified as available-for-sale financial assets at fair value with changes in fair value recognized in other comprehensive income. As a result, during the year ended December 31, 2017, we have recognized fair value changes on our financial assets through profit or loss or other comprehensive income under IFRS, which were not recognized under PRC GAAP. In addition, the adoption of expected credit loss model under IFRS 9 has also led to discrepancies in the amount of impairment provisions which were calculated with a different measurement method under PRC GAAP.

FINANCIAL INFORMATION

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATION

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

General Factors

Our business and results of operations are impacted by general factors affecting the broader real estate industry and software solutions adopted in the real estate industry in China, including:

- China's overall economic growth and development of China's real estate market;
- adoption and acceptance of software solutions in the real estate industry in China;
- business growth and spending of property developers and other real estate industry participants on digital transformation;
- performance of and the perceived value associated with ERP solutions and SaaS products; and
- governmental policies, initiatives and incentives affecting the real estate industry and software solutions adopted in the real estate industry in China.

Company Specific Factors

Our ability to expand our customer base

The number of property developers and other industry participants in China's real estate market who use our software solutions is crucial to our continued revenue growth and results of operations. Our revenues increased from RMB579.6 million in 2017 to RMB1,264.0 million in 2019, and increased from RMB194.8 million for the three months ended March 31, 2019 to RMB253.8 million for the three months ended March 31, 2020, mainly due to the increase in the number of paying end group customers, including both leading, large property developers located in tier-1 cities as well as regional property developers as a result of our success in penetrating into regional markets in China. In 2017, 2018 and 2019 and the first quarter of 2020, we had served approximately 2,000, 3,200, 4,000 and 3,500 paying end group customers, respectively, among which approximately 1,700, 2,300, 3,000, 2,700 paying end group customers are property developers. We served 97, 95, 99 and 97 Top 100 property developers in 2017, 2018 and 2019 and the first quarter of 2020, respectively.

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Continued expansion of our customer base also helps strengthen our brand and reputation, thereby attracting more customers to our ERP solutions and SaaS products through word-of-mouth referral in a cost-effective manner. Going forward, we believe our success will continue to largely depend on our ability to further expand our customer base, particularly in regional markets, through offering effective ERP solutions and SaaS products.

Our ability to increase customer spending to drive sustainable growth of our ERP business

To achieve the sustainable growth of our ERP business, we will continue to drive our customers' spending on our ERP solutions through upselling. We have been and will continue upgrading our ERP solutions and enhancing product functions to increase the software licensing fees and implementation revenues for our ERP business. For example, we introduced the cloud version of our ERP solutions in 2017, and have since grown its adoption among our customers. The upgraded cloud-based ERP solutions offer substantial scalability benefits to our customers while allowing us to achieve greater implementation flexibility and efficiency by deploying our ERP solutions through our customers' own or third-party cloud infrastructure. As a result, we had achieved a growth of our software licensing and implementation services during the Track Record Period. In 2017, 2018 and 2019 and in the first quarter of 2019 and 2020, revenues generated from software licensing were RMB157.9 million, RMB231.9 million, RMB232.9 million, RMB34.4 million and RMB30.7 million, respectively, and we recorded revenues from the implementation services of our ERP solutions of RMB68.0 million, RMB75.5 million, RMB87.7 million, RMB10.8 million and RMB16.1 million for the same periods.

In addition, we have been driving sustainable growth of our ERP business by successfully expanding our product support services and value-added services. During the Track Record Period, revenues generated by the product support services and value-added services of our ERP solutions collectively increased at a CAGR of 57.7% from RMB174.2 million in 2017 to RMB433.5 million in 2019, and increased from RMB71.8 million for the three months ended March 31, 2019 to RMB77.3 million for the three months ended March 31, 2020. Through our profound industry expertise, robust technological capabilities and high-quality customer services, we have attracted more customers for our ERP solutions to also subscribe for our product support services and value-added services, which resulted in greater visibility into future revenue stream due to the ongoing nature of such services. The number of paying end group customers who subscribed for our product support services had significantly grown from approximately 300 in 2017 to approximately 900 in 2019, and the annual customer retention rate of such paying end group customer was 87% in 2019. In addition, the growing demand for customized ERP solutions is expected to continue to propel the growth of our value-added services. Revenues generated from our value-added services accounted for 29.5%, 35.4%, 42.4%, 42.1% and 40.4% of our total revenues for our ERP solutions in 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020, respectively, suggesting significant growth potential in the future. We achieved an annual revenue retention rates of 143% and 159% for our product support services and value-added services in 2018 and 2019, with respect to the Top 100 property developers who subscribed for such services since 2017 and 2018, respectively.

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Our ability to increase customer retention and cross-selling to drive rapid growth of our SaaS business

Since we first launched our SaaS business in 2014, we have achieved initial success in customer acceptance of our SaaS products. In 2017, 2018 and 2019, approximately 1,600, 2,500 and 3,600 paying end group customers had subscribed for at least one SaaS products offered by us, respectively. As we continue to focus on expanding the customer base for our SaaS products, we have been and will continue upgrading and optimizing our existing SaaS products to address our customers' evolving business needs. We believe the long-term growth and future success of our SaaS business largely depends on our ability to adapt our offerings to more business scenarios and deliver measurable benefits to our customers. As we continue to introduce new functions and features to enhance the performance of our SaaS products, we benefit from a loyal customer base that provides high visibility into our future growth. For example, we achieved a customer account retention rate for our *CRM Cloud (雲客)*, which is our flagship SaaS product and the largest contributor of our SaaS revenues during the Track Record Period, of approximately 93% and 96% in 2018 and 2019, respectively.

In addition, part of our business strategy involves diversifying our offerings and driving the increase of our customers' spending through cross-sales of our offerings across different types of SaaS products and between our ERP solutions and SaaS products. We believe this strategy will help strengthen our relationships with our customers and increase customer retention. 90 of our paying end group customers who were Top 100 property developers had subscribed for both of our ERP solutions and at least one SaaS product solutions offered by us in 2019. We achieved an annual revenue retention rate of 201% and 138% for our SaaS products in 2018 and 2019, with respect to the Top 100 property developers who subscribed for our SaaS products since 2017 and 2018, respectively. As we continue to deliver measurable business results to our customers, we are capable of driving customer loyalty and spending, thereby achieving our sustainable growth in the long term.

Our ability to manage costs and improve operational efficiency

The profitability of our ERP business depends largely on our ability to enhance the operational efficiency of our ERP solutions. As cost of sales for our ERP business mainly consist of staff costs associated with provision of implementation services, product support services and value-added services for our ERP solutions, we have been and will continue to innovate and develop faster and lower-cost implementation, product support and customization to enhance our cost efficiency.

In addition, our staff costs relating to our direct sales force, as well as commission fees charged by our regional channel partners for sales and marketing of our software solutions, formed a significant portion of our total selling and marketing expenses. Therefore, our ability to engage our customers and expand our customer base, while at the same time prudently managing our customer acquisition costs is important to our overall profitability.

FINANCIAL INFORMATION

As we continue to grow our business, we expect to benefit from economies of scale and achieve additional cost savings. In addition, we seek to continue deepening our relationship with our extensive regional channel partners and optimize our commercial arrangements with them to scale our presence in regional markets at lower customer acquisition costs.

Continuous investment in product and technology innovation

We have made, and will continue to make, significant investments in product and technology development to strengthen our market leadership. We intend to continue to invest in attracting more talented research and development personnel and further developing and applying advanced technologies in the fields of AIoT, cloud computing, data analytics and virtual reality to enhance the functionalities and customer experience of our ERP solutions and SaaS products. In 2017, 2018 and 2019 and in the first quarter of 2019 and 2020, we incurred research and development expenses of RMB156.7 million, RMB218.1 million, RMB286.3 million, RMB56.1 million and RMB64.5 million, respectively. Going forward, we plan to continue to prudently invest resources in research and development in a cost-effective manner to support the long-term growth of our business.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in further details in Notes 2 and 4 to the Accountant's Report included in Appendix I to this prospectus.

FINANCIAL INFORMATION

Revenue Recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, we present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is our right to consideration in exchange for goods and services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer a good or service to the customer, we present the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due from the customer).

We derive revenue separately or in combination, from SaaS products and ERP solutions that enable property developers and other real estate industry participants to digitalize and streamline their business operations over the Internet, and are sold either through regional channel partners or to the end customers directly.

FINANCIAL INFORMATION

SaaS products help property developers and other real estate participants to optimize their procurement, construction, sales, marketing, property asset management, and other property related operations. For ERP solutions, in addition to software licensing, we offer implementation services, product support services and value-added services to deliver an effective integration of ERP solutions into customers' own business processes, databases and systems with enhanced performance and customization.

We enter into contracts with end customers that can include combination of software licensing and services which are accounted for as separate performance obligations when they are capable of being distinct and do not have significant integration. For SaaS products sold through regional channel partners, end customers are recognized as our direct customers as regional channel partners cannot control the products before transferring to end customers. For ERP solutions, we offer software licensing to regional channel partners or end customers directly, and regional channel partners and end customers are regarded as our direct customers respectively, as regional channel partners can control the software license and further resell it to end customers at their discretion.

The transaction price is the price after discount and is a fixed amount upon signing the contract. The products cannot be returned unless significant problems found, which rarely happens.

(a) *SaaS products*

We sell SaaS products directly to end customers, namely users of our SaaS products, or sell to end customers through our regional channel partners. We are responsible for delivering the SaaS products, paying server fees to external cloud server vendors to ensure the SaaS products are accessible and stable, and we has discretion in establishing the prices for SaaS products. The regional channel partners have the contractual obligation to follow our pricing guidance and are not primarily obligated to the customers for the quality or performance of the SaaS. Therefore, we are the principal and recognize revenues at the gross amount billed to the end customers by the regional channel partners.

SaaS revenues primarily consist of fees that provide end customers access to one or more of the cloud applications. Revenue is recognized over time if the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights, and the rights granted by the license directly expose the customer to any positive or negative effects of the entity's activities. Otherwise revenue is recognized at a point in time.

We apply time-based methods to measure the progress towards complete satisfaction of the performance obligation when the Group has a stand-ready obligation to perform that over a period of time.

For further details, see Note 2.22 of the Accountant's Report included in Appendix I to this prospectus.

FINANCIAL INFORMATION

(b) *ERP software licensing*

Software licensing is a right to use license. The software has standalone functionality and the customer can use the software as it is available at a point in time. Licenses are typically delivered by providing the customer a software dongle with access to download the software. We recognize revenue for such licenses at a point in time when the customer has received licenses and software dongles, and thus has control over the software and we have a present right to payment.

(c) *ERP implementation and value-added services*

By providing ERP implementation services, we assist customers to streamline and expedite the implementation process, and offer customers pre-configured extensions that meet the specific needs of various types of customers.

ERP value-added services include customized configuration and development of specific applications. We also provide customers with tailored professional advice to better address each customer's distinct pain points and challenges.

Revenue of ERP implementation and value-added services is recognized over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation, which is measured based on one of the following methods that best depict our Group's performance in satisfying the performance obligation:

We recognize receivables for performance obligations satisfied over time gradually as the performance obligation is satisfied. When the performance obligation is satisfied over time while a right to consideration is conditional, contract asset is recognized. When we determine that a right to consideration is unconditional, receivable is recognized. Contract liabilities primarily reflect invoices due or payments received in advance of revenue recognition. They are recognized as revenue upon transfer of control to the customers of the promised products and services.

(d) *ERP product support services*

Product support services are provided mainly in the form of fixed-price contracts. Revenue related to these services is recognized ratably over the service contract period.

(e) *Financing components*

The promised amount of consideration for the effects of a significant financing component is not adjusted if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(f) Incremental costs of obtaining customer contract

Incremental costs of obtaining customer contract primarily consist of sales commissions capitalised as an asset. Assets recognised from capitalising costs to obtain a contract are amortised to profit or loss on a systematic basis, consistent with the pattern of revenue recognition to which the assets relate. For SaaS products, 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 are recognized as contract acquisition costs. The contract acquisition costs are charged into selling and marketing expenses on a ratable basis which is in line with the revenue recognition.

Impairment for trade receivables and contract assets

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and aging. Our Directors consider the probability of default upon initial recognition of asset, and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, we compare risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party debtor;
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before March 31, 2020, December 31, 2019, 2018 and 2017, respectively, and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables 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 us. Where recoveries are made, these are recognized in profit or loss.

FINANCIAL INFORMATION

Estimation of the fair value of certain financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. We use our judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions, see Note 3.3 to the Accountant's Report included in Appendix I to this prospectus.

Our Group's financial instruments carried at fair value as at 31 December 2017, 2018 and 2019 and 31 March 2020, by level of the inputs to valuation techniques used to measure fair value.

Such inputs are categorized 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Our Directors and responsible officers review the fair value measurements of our financial assets and liabilities categorized within level 3 instruments of which no quoted prices in an active market exist, taking into account the valuation techniques and assumptions of unobservable inputs and determine if the fair value measurements of level 3 instruments is in compliance with the applicable IFRS.

In relation to the valuation of level 3 instruments, our Directors adopted the following procedures: (i) reviewed the terms of agreements relating to the instruments; (ii) engaged independent valuer, provided necessary financial and non-financial information to the valuer so that the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information especially those non-market related information input, such as the asset under management, the discount rate and the underlying of the unlisted equity, which required management assessment and estimates; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures and the professional advice received, our Directors are of the view that the valuation analysis performed on level 3 instruments is fair and reasonable and the financial statements of our Group are properly prepared. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the level 3 instruments.

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The details on the fair value measurement of the financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in Note 3.3 to the Appendix I to this prospectus. The Reporting Accountant has carried out necessary audit works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group’s Historical Financial Information for the Track Record Period as a whole in Appendix I to this prospectus. The Reporting Accountant’s opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

In relation to the valuation of our financial instruments at fair value, the Joint Sponsors has conducted relevant due diligence works, including but not limited to, (i) reviewed relevant notes in the Accountant’s Report as contained in Appendix I to this prospectus; (ii) reviewed terms of the wealth management products and the valuation reports prepared by the valuer; (iii) assessed the qualification of the valuer; and (iv) discussed with the Company, the Reporting Accountants and the valuer about the key basis and assumptions for the valuation of level 3 investments. Having considered the work done by the Directors, the Reporting Accountant and the valuer and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors’ attention that would cause the Joint Sponsors to question the valuation analysis performed on the level 3 investments.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of comprehensive income, with line items in absolute amounts and as percentages of our revenue for the periods indicated.

| | For the year ended December 31, | | | For the three months | |
|--|---------------------------------|-----------|-----------|----------------------|-----------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | (unaudited) | |
| | (RMB in thousands) | | | | |
| Revenues | 579,608 | 912,795 | 1,263,969 | 194,838 | 253,790 |
| Cost of sales | (119,323) | (177,115) | (269,400) | (50,776) | (60,456) |
| Gross profit | 460,285 | 735,680 | 994,569 | 144,062 | 193,334 |
| Selling and marketing expenses | (194,461) | (342,242) | (441,124) | (69,850) | (102,337) |
| General and administrative expenses | (82,988) | (80,063) | (108,391) | (16,872) | (24,193) |
| Research and development expenses | (156,720) | (218,120) | (286,326) | (56,081) | (64,501) |
| Net impairment losses on financial assets and contract assets | (491) | (4,041) | (2,139) | (1,999) | (2,758) |
| Other income | 61,427 | 83,088 | 82,953 | 7,209 | 17,952 |
| Other gains, net | 1,540 | 5,997 | 4,549 | 1,530 | 7,526 |
| Operating profit | 88,592 | 180,299 | 244,091 | 7,999 | 25,023 |
| Finance income | 130 | 121 | 184 | 71 | 471 |
| Finance costs | (3,593) | (2,028) | (1,897) | (465) | (528) |
| Finance costs, net | (3,463) | (1,907) | (1,713) | (394) | (57) |
| Net losses upon financial liabilities at fair value through profit or loss transferred to equity | (1,847) | — | — | — | — |
| Fair value changes of convertible redeemable preferred shares | — | — | — | — | (8,987) |
| Profit before income tax | 83,282 | 178,392 | 242,378 | 7,605 | 15,979 |
| Income tax expense | (10,480) | (15,358) | (10,729) | (722) | (1,262) |
| Profit for the year/period | 72,802 | 163,034 | 231,649 | 6,883 | 14,717 |
| Profit/(loss) attributable to: | | | | | |
| Owners of the Company | 73,151 | 157,132 | 216,421 | 5,438 | 10,055 |
| Non-controlling interests | (349) | 5,902 | 15,228 | 1,445 | 4,662 |
| | 72,802 | 163,034 | 231,649 | 6,883 | 14,717 |

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenues

During the Track Record Period, we derived our revenues primarily from providing industry-specific, enterprise-grade SaaS products and ERP solutions to our customers.

The following table sets forth a breakdown of our revenues by business segment for the periods indicated.

| | For the year ended December 31, | | | | | | | | | For the three months ended March 31, | | | | | |
|-----------|--|-------|--------|---------|-------|--------|-----------|-------|--------|--------------------------------------|-------|--------|---------|-------|--------|
| | 2017 | | | 2018 | | | 2019 | | | 2019 | | | 2020 | | |
| | YoY | | | YoY | | | YoY | | | PoP | | | PoP | | |
| | Amount | % | Growth | Amount | % | Growth | Amount | % | Growth | Amount | % | Growth | Amount | % | Growth |
| | (unaudited) | | | | | | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | | | | | | |
| SaaS | | | | | | | | | | | | | | | |
| products | 179,491 | 31.0 | N/A | 329,293 | 36.1 | 83.5% | 509,827 | 40.3 | 54.8% | 77,873 | 40.0 | N/A | 129,647 | 51.1 | 66.5% |
| ERP | | | | | | | | | | | | | | | |
| solutions | 400,117 | 69.0 | N/A | 583,502 | 63.9 | 45.8% | 754,142 | 59.7 | 29.2% | 116,965 | 60.0 | N/A | 124,143 | 48.9 | 6.1% |
| Total | 579,608 | 100.0 | N/A | 912,795 | 100.0 | 57.5% | 1,263,969 | 100.0 | 38.5% | 194,838 | 100.0 | N/A | 253,790 | 100.0 | 30.3% |

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. Our SaaS products currently encompass four cloud-based product offerings: *CRM Cloud (雲客)*, *Construction Cloud (雲鏈)*, *Procurement Cloud (雲採購)* and *Asset Management Cloud (雲空間)*, catering to the diverse needs of property developers, suppliers, and property asset management companies.

CRM Cloud (雲客). Our *CRM Cloud (雲客)* provides property developers with enhanced customer acquisition capabilities, enables them to identify and connect with potential customers, and streamline the customer engagement and sales process at their property sales offices. Revenues from our *CRM Cloud (雲客)* consist of subscription fees to access our *CRM Cloud (雲客)* product. Such subscription fees are recognized ratably over the term of the subscription contract, which typically has a term of one year.

Construction Cloud (雲鏈). Through our *Construction Cloud (雲鏈)* product, we enable property developers to optimize management of the entire property construction and delivery process. For *Construction Cloud (雲鏈)*, we derive revenues from subscription fees of our *Construction Cloud (雲鏈)*. Such subscription fees are recognized ratably over the term of the subscription contract, which typically has a term of one year.

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Procurement Cloud (雲採購). Our *Procurement Cloud (雲採購)* fosters an information sharing platform connecting property developers and construction materials suppliers and other service vendors, which allows users from both sides to reduce transaction costs and improve efficiency and transparency of the material procurement process. Revenues from our *Procurement Cloud (雲採購)* primarily consist of subscription fees that we charge our users to access the database and services provided on our *Procurement Cloud (雲採購)* platform.

Asset Management Cloud (雲空間). Our *Asset Management Cloud (雲空間)* offers a comprehensive solution enabling property developers and property owners and managers to digitalize a vast base of asset information and optimize operational yields and financial returns. Our revenues from *Asset Management Cloud (雲空間)* primarily consist of subscription fees charged based on the size of properties managed by our customers. Such subscription fees are recognized ratably over the term of the subscription contract, which typically has a term of one year.

For further details on our SaaS products and their respective fee models, see “Business – Our Offerings – Our SaaS Products – Delivering Intelligent Solutions to Various Real Estate Industry Participants.”

In 2017, 2018 and 2019 and in the first quarter of 2019 and 2020, revenues from our SaaS products were RMB179.5 million, RMB329.3 million, RMB509.8 million, RMB77.9 million and RMB129.6 million, respectively, representing approximately 31.0%, 36.1%, 40.3%, 40.0% and 51.1% of our total revenues in the same periods.

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.

| | For the year ended December 31, | | | | | | For the three months ended March 31, | | | |
|---------------------------------|--|--------------|----------------|--------------|----------------|--------------|--------------------------------------|--------------|----------------|--------------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | % |
| | (unaudited) | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | |
| CRM Cloud (雲客) | 121,667 | 67.8 | 226,472 | 68.7 | 355,195 | 69.7 | 51,005 | 65.5 | 94,320 | 72.8 |
| Construction Cloud (雲鏈) | 42,444 | 23.6 | 73,688 | 22.4 | 111,365 | 21.8 | 18,336 | 23.5 | 22,269 | 17.2 |
| Procurement Cloud (雲採購) | 7,290 | 4.1 | 11,067 | 3.4 | 16,727 | 3.3 | 3,353 | 4.3 | 4,437 | 3.4 |
| Asset Management Cloud (雲空間) | 8,090 | 4.5 | 18,066 | 5.5 | 26,540 | 5.2 | 5,179 | 6.7 | 8,621 | 6.6 |
| Total | 179,491 | 100.0 | 329,293 | 100.0 | 509,827 | 100.0 | 77,873 | 100.0 | 129,647 | 100.0 |

FINANCIAL INFORMATION

ERP solutions

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

Software Licensing. We license our ERP solutions pursuant to licensing agreements through our own direct sales team and a nationwide network of regional channel partners. We charge a one-time licensing fee for our ERP solutions primarily based on factors including the number and type of ERP solutions subscribed for by our customers. In cases where our ERP solutions are sold to end customers by our regional channel partners, such regional channel partners purchase ERP solutions from us at a discount price and then on-sell to the end customers taking into account our guidance prices.

Implementation Services. We generate revenues by implementing ERP solutions licensed to our customers through their own or third parties' technology infrastructure, either physically located on premise or through cloud infrastructure. An implementation service fee is charged primarily based on various factors including the type of implementation services selected by our customers, the number of implementation specialists staffed on a given customer project, and the duration of our implementation services. In cases where our end customers contract with us directly, we charge such end customers for implementation services provided by us or procure implementation services from our regional channel partners who will be accounted for as our suppliers. Our end customers may also choose to contract with our regional channel partners for their implementation services, in which case we do not directly charge fees for such services.

Product Support Services. We generate revenues by providing ongoing product support services to our customers to ensure stable, reliable, effective and efficient operation of our ERP solutions. In cases where our ERP solutions are sold to end customers by our regional channel partners, our regional channel partners typically charge end customers service fees and share a portion of such service fees with us for our product support services provided to the customers.

Value-added Services. We also derive revenues from providing our customers with on-demand customized value-added services in order to effectively integrate our ERP solutions with our customers' own systems and enhance performance of our ERP solutions and also to develop customized applications based on their specific business need. A services fee is charged to our end customers, or charged to regional channel partners in cases where they deploy our technical specialists to deliver such services, based on factors including the type of customized value-added services provided by us, the number of our technical specialists staffed on a given customer project, and the duration of such services. In cases where value-added services are delivered by our regional channel partners (whether through their own staff or our technical staff deployed by such regional channel partners), we will not directly charge our end customers any fees.

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For further details on our ERP solutions and their respective fee models, see “Business – Our Offerings – Our ERP Solutions – Helping Property Developers Run Their Business Optimally.”

In 2017, 2018 and 2019 and in the first quarter of 2019 and 2020, revenues from our ERP solutions were RMB400.1 million, RMB583.5 million, RMB754.1 million, RMB117.0 million and RMB124.1 million, respectively, representing approximately 69.0%, 63.9%, 59.7%, 60.0% and 48.9% of our total revenues in the same periods.

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.

| | For the year ended December 31, | | | | | | For the three months ended March 31, | | | |
|----------------------|--|--------------|----------------|--------------|----------------|--------------|--------------------------------------|--------------|----------------|--------------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | % |
| | (unaudited) | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | |
| Software licensing | 157,860 | 39.4 | 231,903 | 39.8 | 232,888 | 30.9 | 34,367 | 29.4 | 30,680 | 24.7 |
| Implementation | | | | | | | | | | |
| services | 68,025 | 17.0 | 75,501 | 12.9 | 87,711 | 11.6 | 10,769 | 9.2 | 16,133 | 13.0 |
| Product support | | | | | | | | | | |
| services | 56,296 | 14.1 | 69,571 | 11.9 | 113,581 | 15.1 | 22,623 | 19.3 | 27,169 | 21.9 |
| Value-added services | 117,936 | 29.5 | 206,527 | 35.4 | 319,962 | 42.4 | 49,206 | 42.1 | 50,161 | 40.4 |
| Total | 400,117 | 100.0 | 583,502 | 100.0 | 754,142 | 100.0 | 116,965 | 100.0 | 124,143 | 100.0 |

Cost of Sales

SaaS products

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

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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.

| | For the year ended December 31, | | | | | | For the three months ended March 31, | | | |
|------------------------------|--|------------|---------------|------------|---------------|------------|--------------------------------------|------------|---------------|------------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | % |
| | (unaudited) | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | |
| Employee benefit expenses | 7,641 | 4.3 | 10,209 | 3.1 | 18,060 | 3.5 | 3,286 | 4.2 | 4,361 | 3.4 |
| IT and communication charges | 1,393 | 0.8 | 2,666 | 0.8 | 6,681 | 1.3 | 1,138 | 1.5 | 4,246 | 3.3 |
| Costs of inventories sold | – | – | – | – | 18,226 | 3.6 | – | – | 1,420 | 1.1 |
| Others | 583 | 0.3 | 1,265 | 0.4 | 1,949 | 0.4 | 195 | 0.2 | 394 | 0.2 |
| Total | 9,617 | 5.4 | 14,140 | 4.3 | 44,916 | 8.8 | 4,619 | 5.9 | 10,421 | 8.0 |

ERP Solutions

Cost of sales for our ERP solutions consists primarily of (i) employee benefit expenses, representing salaries for our staff responsible for the implementation and delivery of our ERP solutions and the provision of product support services and value-added services to our customers, (ii) outsourcing expenses, which represent 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, and (iv) others, mainly including professional and technical service fees we paid to third-party service providers as well as our tax 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.

| | For the year ended December 31, | | | | | | For the three months ended March 31, | | | |
|---------------------------|--|-------------|----------------|-------------|----------------|-------------|--------------------------------------|-------------|---------------|-------------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | % |
| | (unaudited) | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | |
| Employee benefit expenses | 99,407 | 24.8 | 111,437 | 19.1 | 146,614 | 19.4 | 33,945 | 29.0 | 36,214 | 29.2 |
| Outsourcing expenses | – | – | 39,130 | 6.7 | 66,545 | 8.8 | 11,842 | 10.1 | 12,589 | 10.1 |
| Costs of inventories sold | 578 | 0.1 | 590 | 0.1 | 679 | 0.1 | 32 | 0.0 | 91 | 0.1 |
| Others | 9,721 | 2.5 | 11,818 | 2.0 | 10,646 | 1.5 | 338 | 0.4 | 1,141 | 0.9 |
| Total | 109,706 | 27.4 | 162,975 | 27.9 | 224,484 | 29.8 | 46,157 | 39.5 | 50,035 | 40.3 |

FINANCIAL INFORMATION

Gross Profit

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

| | For the year ended December 31, | | | For the three months | |
|---------------|---------------------------------|----------------|----------------|----------------------|----------------|
| | 2017 | 2018 | 2019 | ended March 31, | 2020 |
| | | | | 2019 | |
| | (unaudited) | | | | |
| | (RMB in thousands) | | | | |
| SaaS products | 169,874 | 315,153 | 464,911 | 73,254 | 119,226 |
| ERP solutions | 290,411 | 420,527 | 529,658 | 70,808 | 74,108 |
| | | | | | |
| Total | 460,285 | 735,680 | 994,569 | 144,062 | 193,334 |

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) employee benefit expenses relating to our sales and marketing staff, (ii) commission expenses, which primarily represent sales commissions we paid to our regional channel partners in relation to their sales and marketing of our SaaS products in the relevant regional markets, among which product sales rebates ranging from 35% to 65% constitute the largest component, (iii) promotion charges relating to our offline industry and promotion events and (iv) others, mainly including travelling and office expenses incurred by our sales and marketing staff and professional as well as technical service fees relating to our sales and marketing activities.

The following table sets forth a breakdown of the major components of our selling and marketing expenses both in absolute amount and as a percentage of revenues for the periods indicated.

| | For the year ended December 31, | | | | | | For the three months ended March 31, | | | |
|---------------------------|--|-------------|----------------|-------------|----------------|-------------|--------------------------------------|-------------|----------------|-------------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | % |
| | (unaudited) | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | |
| Employee benefit expenses | 87,603 | 15.1 | 158,674 | 17.4 | 187,815 | 14.9 | 26,408 | 13.6 | 44,739 | 17.6 |
| Commission expenses | 77,060 | 13.3 | 141,803 | 15.5 | 202,068 | 16.0 | 35,516 | 18.2 | 50,837 | 20.0 |
| Promotion charges | 18,357 | 3.2 | 28,399 | 3.1 | 35,330 | 2.8 | 4,010 | 2.1 | 2,580 | 1.0 |
| Others | 11,441 | 2.0 | 13,366 | 1.5 | 15,911 | 1.2 | 3,916 | 2.0 | 4,181 | 1.7 |
| Total | 194,461 | 33.6 | 342,242 | 37.5 | 441,124 | 34.9 | 69,850 | 35.9 | 102,337 | 40.3 |

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefit expenses, relating to our management and administrative staff, (ii) travelling and office expenses incurred by our administrative staff, (iii) professional and technical service fees, representing costs associated with third-party consulting and professional services, (iv) depreciation and amortization expenses allocated to administrative activities, (v) listing expenses in connection with the Global Offering and (vi) others, mainly including promotion charges that are relating to our administrative activities.

The following table sets forth a breakdown of the components of our general and administrative expenses both in absolute amount and as a percentage of revenues for the periods indicated.

| | For the year ended December 31, | | | | | | For the three months ended | | | |
|---|--|-------------|---------------|------------|----------------|------------|----------------------------|------------|---------------|------------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | % |
| | (unaudited) | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | |
| Employee benefit expenses | 57,392 | 9.9 | 51,083 | 5.6 | 67,085 | 5.3 | 10,631 | 5.5 | 13,977 | 5.5 |
| Travelling and office expenses | 12,507 | 2.2 | 14,016 | 1.5 | 13,515 | 1.1 | 2,346 | 1.2 | 2,032 | 0.8 |
| Professional and technical service fees | 7,173 | 1.2 | 5,800 | 0.6 | 11,209 | 0.9 | 1,060 | 0.5 | 1,044 | 0.4 |
| Depreciation and amortization | 2,032 | 0.4 | 3,965 | 0.4 | 6,877 | 0.5 | 1,462 | 0.8 | 2,035 | 0.8 |
| Listing expense | – | – | – | – | 4,271 | 0.3 | – | – | 2,836 | 1.1 |
| Others | 3,884 | 0.6 | 5,199 | 0.7 | 5,434 | 0.5 | 1,373 | 0.7 | 2,269 | 0.9 |
| Total | 82,988 | 14.3 | 80,063 | 8.8 | 108,391 | 8.6 | 16,872 | 8.7 | 24,193 | 9.5 |

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses relating to our research and development staff responsible for the development of our software solutions, (ii) outsourcing expenses, primarily representing labor cost relating to our outsourced research and development activities, (iii) depreciation and amortization allocated to our research and development activities and (iv) others, which mainly include travelling and office expenses incurred by our research and development staff and professional as well as technical service fees relating to our research and development activities.

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The following table sets forth a breakdown of the major components of our research and development expenses both in absolute amount and as a percentage of revenues for the periods indicated.

| | For the year ended December 31, | | | | | | For the three months ended | | | |
|-------------------------------|--|-------------|----------------|-------------|----------------|-------------|----------------------------|-------------|---------------|-------------|
| | 2017 | | 2018 | | 2019 | | 2019 | | 2020 | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | % |
| | (unaudited) | | | | | | | | | |
| | (RMB in thousands, except percentages) | | | | | | | | | |
| Employee benefit expenses | 121,093 | 20.9 | 189,832 | 20.8 | 255,982 | 20.3 | 50,137 | 25.7 | 57,049 | 22.5 |
| Outsourcing expenses | 20,619 | 3.6 | 10,561 | 1.2 | 5,576 | 0.4 | 1,794 | 0.9 | 1,911 | 0.8 |
| Depreciation and amortization | 4,810 | 0.8 | 6,382 | 0.7 | 9,294 | 0.7 | 1,879 | 1.0 | 2,589 | 1.0 |
| Others | 10,198 | 1.7 | 11,345 | 1.2 | 15,474 | 1.3 | 2,271 | 1.2 | 2,952 | 1.1 |
| Total | 156,720 | 27.0 | 218,120 | 23.9 | 286,326 | 22.7 | 56,081 | 28.8 | 64,501 | 25.4 |

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 assessing the credit risks of a particular customer, we consider, on a reasonable basis, available supporting information regarding the business and financial background of such customer and its ultimate beneficial shareholders and our historical business relationship (including disputes, if any) with such customer and its ultimate beneficial shareholders.

We recorded net impairment losses on financial assets and contract assets of RMB0.5 million, RMB4.0 million, RMB2.1 million, RMB2.0 million and RMB2.8 million in 2017, 2018, 2019 and in the first quarter of 2019 and 2020, respectively. For further details, see “Note 3.1(b) Credit risk” as set out in the Accountant’s Report included in Appendix I to this prospectus.

Other Income

Other income consists primarily of (i) other government grants, which mainly relate to financial assistance from local governments in China, (ii) income from our investments in wealth management products, (iii) VAT refunds relating to the sales of our software solutions, (iv) income generated from offline activities and others, which primarily include (x) 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 (y) income generated from our real estate industry seminars, and (v) dividend income from investments in unlisted equity securities included in financial assets at fair value through profit or loss.

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

| | For the Year Ended December 31, | | | For the three months ended March 31, | |
|---------------------------|------------------------------------|---------------|---------------|---|---------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | <i>(unaudited)</i> | | | | |
| | <i>(RMB in thousands)</i> | | | | |
| Other government grants | 11,582 | 9,307 | 16,312 | – | 7,592 |
| Income from wealth | | | | | |
| management products | 8,414 | 16,694 | 15,395 | 3,171 | 4,710 |
| VAT refund ^(a) | 31,486 | 39,490 | 30,412 | 3,686 | 3,047 |
| Income generated from | | | | | |
| offline activities and | | | | | |
| others | 9,945 | 17,597 | 20,240 | 352 | 1,979 |
| Dividend income from | | | | | |
| investments in unlisted | | | | | |
| equity securities | | | | | |
| included in financial | | | | | |
| assets at fair value | | | | | |
| through profit or loss | – | – | 594 | – | 624 |
| Total | 61,427 | 83,088 | 82,953 | 7,209 | 17,952 |

Note:

- (a) According to the VAT tax regulations in the PRC, the development and sales of computer software are subject to VAT with an applicable rate of 17% during the period from 1 January 2017 to 30 April 2018. From 1 May 2018, according to the circular “Notice of Ministry of Finance and the General Administration of Taxation on the Adjustment of VAT Rate” (Cai Shui [2018] No.32 財稅[2018] 32號), the applicable VAT rate for sales of computer software has been adjusted from 17% to 16%. From 1 April 2019, according to the circular “Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation” (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No.39 財政部稅務總局海關總署公告2019年第39號), the application VAT rate for sales of computer software has been adjusted from 16% to 13%.

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

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Other Gains, Net

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

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

| | For the year ended December 31, | | | For the three months ended March 31, | |
|--|------------------------------------|--------------|--------------|---|--------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | <i>(unaudited)</i> | | | | |
| | <i>(RMB in thousands)</i> | | | | |
| Fair value gains on investments in redeemable preferred shares | — | — | 2,640 | — | 6,045 |
| Foreign exchange gains | — | — | 300 | — | 1,341 |
| Fair value gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss | 1,521 | 6,051 | 1,635 | 1,530 | 140 |
| Net gains/(losses) on disposal of property, plant and equipment | 16 | (54) | (26) | — | — |
| Others | 3 | — | — | — | — |
| Total | 1,540 | 5,997 | 4,549 | 1,530 | 7,526 |

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Operating Profits

As a result of the foregoing, our operating profits were RMB88.6 million, RMB180.3 million, RMB244.1 million, RMB8.0 million and RMB25.0 million in 2017, 2018 and 2019 and in the first quarter of 2019 and 2020, respectively.

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

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---------------|------------------------------------|----------------|----------------|---|---------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | <i>(unaudited)</i> | | | | |
| | <i>(RMB in thousands)</i> | | | | |
| SaaS products | (50,698) | (45,114) | (41,439) | (17,875) | (7,749) |
| ERP solutions | 157,188 | 219,362 | 284,932 | 24,344 | 28,799 |
| Others | (17,898) | 6,051 | 598 | 1,530 | 3,973 |
| Total | 88,592 | 180,299 | 244,091 | 7,999 | 25,023 |

During the Track Record Period, we recorded certain operating losses that were not to either our SaaS products or ERP solutions. We reported such operating losses of RMB17.9 million in 2017, which were primarily attributable to the share-based compensation we paid in 2017.

We incurred operating losses for our SaaS products during the Track Record Period. Unlike typical on-premise ERP solutions, SaaS products are cloud-based, standard products that involve relatively less implementation, ongoing product support and subsequent value-added efforts. Rather, most of the costs and expenses associated with a SaaS product are upfront investment in product development and sales and marketing activities that drive the market acceptance. Once the SaaS business matures and reaches scale, a SaaS product can typically achieve high profit margin mainly due to recurring revenue nature of subscription fees with reduced incremental costs.

In order to capitalize on the massive and growing market demand for digital, cloud-based SaaS products among property developers and other real estate market participants in China, we have, since the launch of our SaaS business and during the Track Record Period, made substantial investments in product development, technology innovation, expansion of sales and distribution network, and improvement in technology-oriented customer services to drive customer acceptance of our SaaS products and the rapid growth of our SaaS business. We believe that such initial investments are indispensable to establish compelling competitive advantages for the profitable growth of our SaaS business in the long term. While we are still making continuous investment in ramping up our SaaS products, which are at various stages

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of development, some of our SaaS products, such as our *Cloud* (雲客) and *Construction Cloud* (雲鏈), have achieved initial customer acceptance and market success, which largely contributed to the improvement of the overall financial performance of our SaaS business with the following highlights:

- The operating losses of our SaaS business decreased from RMB50.7 million in 2017 to RMB41.4 million in 2019, and from RMB17.9 million for the three months ended March 31, 2019 to RMB7.7 million for the three months ended March 31, 2020. In addition, the net loss margin for our SaaS products substantially decreased from 28.4% in 2017 to 8.2% in 2019, and from 23.1% for the three months ended March 31, 2019 to 6.1% for the three months ended March 31, 2020. As the SaaS business continues to rapidly scale, such improvements in operating efficiency and profitability were attributable to the improving economies of scale and cost efficiency of its sales and marketing efforts and suggest that the Company has the operational capability to continue to improve the profitability of its SaaS business in the future.
- The sales commissions for our SaaS products, being the largest component of the expenses for our SaaS business, as a percentage of total SaaS revenues through regional channel partners decreased from 77.9% in 2017 to 68.0% in 2019, primarily by virtue of our increasing bargaining power over our regional channel partners.

Taking into account (i) the growth and profitability cycle of SaaS business in general, (ii) the financial performance of our SaaS business during the Track Record Period, and (iii) the solid technology foundation we have laid through continuous investments, we believe that we are well-positioned to continuously improve the profitability for our SaaS business going forward.

To achieve this goal, we have been and will continue (i) adapting our SaaS products to more business scenarios along the real estate value chain to attract new customers and drive customer retention, with a view to further drive rapid top-line growth; (ii) leveraging the effective integration between our ERP solutions and SaaS products to drive cross-selling across our software solutions, with a view to further drive the rapid top-line growth and improve cost efficiency of our sales and marketing activities; (iii) optimizing the pricing policy of our SaaS products and the sales rebate rates we offer to the regional channel partners for the sales of our SaaS product to further reduce sales commissions as a percentage of our SaaS revenues to improve cost efficiency of our sales and marketing activities; (iv) strengthening the effectiveness and efficiency of the regional channel partner network through collaborating with more qualified regional channel partners and further enhancing the performance review and grading system for our regional channel partners, with a view to improve cost efficiency of our sales and marketing activities; and (v) leveraging our solid technology foundation to further improve cost efficiency of research and development.

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Finance Income

Our finance income is comprised of interest income from our bank deposits. Our finance income amounted to RMB130,000, RMB121,000, RMB184,000, RMB71,000 and RMB471,000 in 2017, 2018 and 2019 and in the first quarter of 2019 and 2020, respectively.

Finance Costs

Our finance costs are primarily comprised of (i) interest expenses on our lease liabilities, (ii) interest expenses on our bank borrowings, and (iii) dividend paid to holders of financial liabilities at fair value through profit or loss. Our finance costs amounted to RMB3.6 million, RMB2.0 million, RMB1.9 million, RMB465,000 and RMB528,000 in 2017, 2018 and 2019 and in the first quarter of 2019 and 2020, respectively.

Income Tax Expenses

Our income tax expenses were RMB10.5 million, RMB15.4 million, RMB10.7 million, RMB0.7 million and RMB1.3 million in 2017, 2018 and 2019 and in the first quarter of 2019 and 2020, respectively. As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC.

Cayman Islands

Under the current laws of the Cayman Islands, entities incorporated in the Cayman Islands as exempted companies are not subject to tax on income or capital gain. In addition, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands as exempted companies are not subject to tax on income or capital gain. In addition, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

No provision for Hong Kong profits tax was made as we did not have any assessable income subject to Hong Kong profits tax during the Track Record Period.

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PRC

Corporate income tax provision was made on the estimated assessable profits of entities within our 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 corporate income tax rate is 25% for the years ended December 31, 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020.

According to Cai Shui [2012] No. 27(財稅[2012]27号), key software enterprises that have not benefited from the preferential treatment of tax exemption in the current year may be subjected to a lower CIT rate of 10%. In 2016, Cai Shui [2016] No. 49 (財稅[2016]49號, “Circular 49”), is released in order to further clarify the criteria for enterprises to qualify as key software enterprises. Ming Yuan Cloud Technology met requirements in Circular 49 for the years ended December 31, 2017 and 2018 and has performed a record-filing with in-charge tax authority. Furthermore, based on management’s assessment, Ming Yuan Cloud Technology will probably meet those requirements for the years ended December 31, 2019 and 2020. Therefore, Ming Yuan Cloud Technology used a preferential CIT rate of 10% for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020.

Ming Yuan Cloud Client had also applied to the relevant tax bureau and was granted the qualification as High and New Technology Enterprise in 2016. As a result, it is subject to a preferential corporate income tax rate of 15% for the years ended December 31, 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020.

Ming Yuan Cloud Space and Ming Yuan Cloud Procurement had qualified to apply the preferential CIT rate of 15% for HNTE beginning from January 1, 2019.

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 2020, according to Caishui [2018] No. 99 (財稅[2018]99號), 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 from 2017 to 2019 and the three months ended March 31, 2020, could claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period.

Profits for the Year/Period

As a result of the foregoing, our profits for the year were RMB72.8 million, RMB163.0 million, RMB231.6 million, RMB6.9 million and RMB14.7 million in 2017, 2018 and 2019 and in the first quarter of 2019 and 2020, respectively.

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

| | For the year ended December 31, | | | For the three months ended March 31 | |
|---------------|------------------------------------|----------------|----------------|--|---------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | <i>(unaudited)</i> | |
| | | | | <i>(RMB in thousands)</i> | |
| SaaS products | (50,907) | (45,334) | (41,835) | (17,996) | (7,913) |
| ERP solutions | 145,645 | 202,317 | 272,886 | 23,349 | 27,644 |
| Others | (21,936) | 6,051 | 598 | 1,530 | (5,014) |
| Total | <u>72,802</u> | <u>163,034</u> | <u>231,649</u> | <u>6,883</u> | <u>14,717</u> |

We recorded losses of RMB21.9 million and RMB5.0 million in 2017 and the first quarter of 2020, respectively, which were not attributable to either our SaaS products or ERP solutions, primarily as a result of the reasons mentioned above.

NON-IFRS MEASURES

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

EBITDA and Adjusted EBITDA

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

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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.

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|------------------------------------|----------------|----------------|---|---------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | <i>(unaudited)</i> | | | | |
| | <i>(RMB in thousands)</i> | | | | |
| Reconciliation of operating income and adjusted EBITDA | | | | | |
| Operating income for the period | 88,592 | 180,299 | 244,091 | 7,999 | 25,023 |
| Add: | | | | | |
| Depreciation of right-of-use assets | 12,472 | 16,030 | 21,427 | 4,909 | 6,039 |
| Depreciation of property, plant and equipment | 3,429 | 4,625 | 6,333 | 1,275 | 1,933 |
| Amortization of intangible assets | 549 | 534 | 552 | 118 | 182 |
| EBITDA (non-IFRS) | <u>105,042</u> | <u>201,488</u> | <u>272,403</u> | <u>14,301</u> | <u>33,177</u> |
| Add: | | | | | |
| Share-based compensation ⁽¹⁾ | 19,419 | – | – | – | – |
| Listing expenses ⁽²⁾ | – | – | 4,271 | – | 2,836 |
| Adjusted EBITDA (non-IFRS) | <u>124,461</u> | <u>201,488</u> | <u>276,674</u> | <u>14,301</u> | <u>36,013</u> |

Notes:

- (1) Share-based compensation relates to the share rewards we offered to our employees, which is a non-cash expense that is commonly excluded from similar non-IFRS measures adopted by other companies in our industry.
- (2) Listing expenses relates to this Global Offering of the Company, which is one-off in nature and is not directly related to our operating activities.

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Adjusted Net Income

We define adjusted net income as net income for the period adjusted by adding back net losses upon financial liabilities at fair value through profit or loss transferred to equity, fair value changes of convertible redeemable preferred shares, dividends paid to holders of financial liabilities at fair value through profit or loss, share-based compensation and listing expenses. 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.

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|------------------------------------|----------------|----------------|---|---------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | (unaudited) | | | | |
| | (RMB in thousands) | | | | |
| Reconciliation of net income and adjusted net income | | | | | |
| Net income for the period | 72,802 | 163,034 | 231,649 | 6,883 | 14,717 |
| Add: | | | | | |
| Net losses upon financial liabilities at fair value through profit or loss transferred to equity ⁽¹⁾ | 1,847 | – | – | – | – |
| Fair value changes of convertible redeemable preferred shares ⁽²⁾ | – | – | – | – | 8,987 |
| Dividends paid to holders of financial liabilities at fair value through profit or loss ⁽³⁾ | 2,191 | – | – | – | – |
| Share-based compensation ⁽⁴⁾ | 19,419 | – | – | – | – |
| Listing expenses ⁽⁵⁾ | – | – | 4,271 | – | 2,836 |
| Adjusted net income (non-IFRS) | 96,259 | 163,034 | 235,920 | 6,883 | 26,540 |

Notes:

- (1) Net losses upon financial liabilities at fair value through profit or loss transferred to equity represent the losses recognized at fair value through profit or loss when reclassifying the redeemable shares we initially issued to an investor into equity instrument due to change of contract terms. Such changes are one-off and non-cash in nature and are not directly related to our operating activities.
- (2) Fair value changes of convertible redeemable preferred shares represent the gains or losses arising from change in fair value of our issued Series A convertible redeemable preferred shares, which was recognised as a financial liability at fair value through profit or loss. Such changes are one-off and non-cash in nature and are not directly related to our operating activities.
- (3) Dividends paid to holders of financial liabilities at fair value through profit or loss represent the dividends we paid to the holders of our redeemable shares, which is one-off in nature and is not directly related to our operating activities.

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- (4) Share-based compensation relates to the share rewards we offered to our employees, which is a non-cash expense that is commonly excluded from similar non-IFRS measures adopted by other companies in our industry.
- (5) Listing expenses relates to this Global Offering of the Company, which is one-off in nature and is not directly related to our operating activities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

Revenues

Our total revenues increased by 30.3% from RMB194.8 million for the three months ended March 31, 2019 to RMB253.8 million for the three months ended March 31, 2020, primarily due to the increases in revenues generated from both of our SaaS products and ERP solutions as a result of our continuous business expansion described below.

SaaS Products

Revenues from our SaaS products increased by 66.5% from RMB77.9 million for the three months ended March 31, 2019 to RMB129.6 million for the three months ended March 31, 2020, primarily due to increases in (i) revenues derived from our *CRM Cloud (雲客)* product from RMB51.0 million for the three months ended March 31, 2019 by 84.9% to RMB94.3 million for the three months ended March 31, 2020, which was attributable to the significantly increased number of paying end group customers who subscribed for our *CRM Cloud (雲客)* product from approximately 1,400 in the first quarter of 2019 to 2,200 in the first quarter of 2020, and (ii) revenues derived from our *Construction Cloud (雲鏈)* from RMB18.3 million for the three months ended March 31, 2019 by 21.4% to RMB22.3 million for the three months ended March 31, 2020, primarily due to the increased number of paying end group customers who subscribed for our *Construction Cloud (雲鏈)* from approximately 200 in the first quarter of 2019 to 400 in the first quarter of 2020, as a result of growing market acceptance of our strengthened product functions and successful cross-sales of our *Construction Cloud (雲鏈)* across our existing customers, which offers effective integration with our ERP solutions to enhance performance.

ERP Solutions

Revenues from our ERP solutions increased by 6.1% from RMB117.0 million for the three months ended March 31, 2019 to RMB124.1 million for the three months ended March 31, 2020, primarily due to increases in (i) revenues from our implementation services from RMB10.8 million for the three months ended March 31, 2019 by 49.8% to RMB 16.1 million for the three months ended March 31, 2020, which was primarily attributable to the improvement of our delivery efficiency as we continued to leverage our technological capabilities to optimize our delivery process, (ii) revenues from our product support services from RMB22.6 million for the three months ended March 31, 2019 by 20.1% to RMB27.2

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million for the three months ended March 31, 2020, primarily due to the increased number of paying end group customers who subscribed for our product support services from approximately 600 in the first quarter of 2019 to 800 in the first quarter of 2020, as a result of increasing customer acceptance of our comprehensive, industry-specific ERP solutions.

The increase in revenues from our ERP solutions was partially offset by a decrease in revenues derived from our software licensing from RMB34.4 million for the three months ended March 31, 2019 to RMB30.7 million for the three months ended March 31, 2020, primarily because certain of our prospective ERP projects under discussion with our customers had been canceled, postponed or split into multiple purchases with an extended procurement cycle due to lockdown restrictions during the COVID-19 outbreak and the uncertainties caused by the COVID-19 outbreak. We expect our software licensing revenues to continue to recover as local governments in Chinese continue to ease or lift lockdown restrictions.

In contrast, we reported increases in the revenues generated from other services with respect to the ERP solutions, including implementation services, product support services and value-added services, amidst the COVID-19 outbreak primarily due to the following reasons: (i) first, we deliver most of our product support services and value-added services, and our implementation services with respect to the cloud version of the ERP solutions, remotely through our cloud infrastructure. Therefore the lockdown restrictions across China had not resulted in any material adverse impact on the delivery of such services to our customers. With respect to the on-site implementation services, only a limited number of projects had been temporarily delayed during the COVID-19 outbreak to the extent large-scale on-site services of our employees or the regional channel partners were required; and (ii) second, unlike software licensing, the revenues of which are recognized at a point in time when the software dongles are delivered to our customers, we recognize revenues with respect to our implementation services, product support services and value-added services over the contract term. Accordingly, a portion of the revenues from the implementation services, product support services and value-added services for the three months ended March 31, 2020 were derived from our then existing customers who entered into contracts with us before the COVID-19 outbreak, and revenues under such contracts were recognized later in the first quarter of 2020 when the applicable implementation services, product support services and value-added services were rendered over the term of the contracts.

Cost of sales

Our cost of sales increased by 19.1% from RMB50.8 million for the three months ended March 31, 2019 to RMB60.5 million for the three months ended March 31, 2020.

Our cost of sales for SaaS products increased by 125.6% from RMB4.6 million for the three months ended March 31, 2019 to RMB10.4 million for the three months ended March 31, 2020. This increase was primarily driven by the increases in (i) IT and communication charges from RMB1.1 million for the three months ended March 31, 2019 to RMB4.2 million for the three months ended March 31, 2020, primarily because we purchased additional data cloud services to enhance our data processing and analytics capacities in response to the increasing

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usage of our products in the remote working environment during the COVID-19 outbreak, (ii) costs of inventories sold from nil for the three months ended March 31, 2019 to RMB1.4 million for the three months ended March 31, 2020, primarily because we commenced to sell smart devices in relation to our *CRM Cloud (雲客)* in April 2019, which enhances product functions and improves customer experience, and (iii) employee benefit expenses, from RMB3.3 million for the three months ended March 31, 2019 to RMB4.4 million for the three months ended March 31, 2020, as a result of the increased number of employees supporting the delivery and implementation of our SaaS business.

Our cost of sales for ERP solutions slightly increased by 8.4% from RMB46.2 million for the three months ended March 31, 2019 to RMB50.0 million for the three months ended March 31, 2020, primarily driven by the increase in employee benefit expenses from RMB33.9 million for the three months ended March 31, 2019 to RMB36.2 million for the three months ended March 31, 2020, as a result of the increased number of employees for our ERP business, which was also in line with the overall growth of our ERP business during such periods.

Gross Profit

As a result of the foregoing, our overall gross profit increased by 34.2% from RMB144.1 million for the three months ended March 31, 2019 to RMB193.3 million for the three months ended March 31, 2020. Gross profit from our SaaS products increased by 62.8% from RMB73.3 million for the three months ended March 31, 2019 to RMB119.2 million for the three months ended March 31, 2020. Gross profit from our ERP solutions increased by 4.7% from RMB70.8 million for the three months ended March 31, 2019 to RMB74.1 million for the three months ended March 31, 2020.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 46.5% from RMB69.9 million for the three months ended March 31, 2019 to RMB102.3 million for the three months ended March 31, 2020, primarily attributable to the increases in (i) employee benefit expenses, from RMB26.4 million for the three months ended March 31, 2019 to RMB44.7 million for the three months ended March 31, 2020, primarily due to increase in sales and marketing staff headcount and increase of compensation levels for our sales and marketing staff, and (ii) commission expenses, from RMB35.5 million for the three months ended March 31, 2019 to RMB50.8 million for the three months ended March 31, 2020, which was in line with the increase of revenues derived from our regional channel partners for sales of our SaaS products, from RMB47.5 million for the three months ended March 31, 2019 to RMB78.9 million for the three months ended March 31, 2020, as we continued to deepen cooperation with our regional channel partners to expand our footprint in regional markets.

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General and Administrative Expenses

Our general and administrative expenses increased from RMB16.9 million for the three months ended March 31, 2019 to RMB24.2 million for the three months ended March 31, 2020, primarily due to an increase in employee benefit expenses, from RMB10.6 million for the three months ended March 31, 2019 to RMB14.0 million for the three months ended March 31, 2020, mainly due to the increase of administrative headcount and the average salaries and benefits of our administrative staff. To a lesser extent, the increase was also attributable to an increase of RMB2.8 million in listing expenses as we did not incur any listing expenses for the three months ended March 31, 2019.

Research and Development Expenses

Our research and development expenses increased from RMB56.1 million for the three months ended March 31, 2019 to RMB64.5 million for the three months ended March 31, 2020, mainly due to an increase of RMB6.9 million in employee benefit expenses, primarily as a result of the increases of research and development staff headcount and the compensation levels for our research and development staff.

Net Impairment Losses on Financial Assets and Contract Assets

We had a net impairment loss of RMB2.0 million for the three months ended March 31, 2019 compared to a net impairment loss of RMB2.8 million for the three months ended March 31, 2020, primarily because we increased our accrued impairment losses on our contract assets as the size of our contract assets and trade receivables increased in the first quarter of 2020.

Other Income

We recorded other income of RMB18.0 million for the three months ended March 31, 2020, as compared to that of RMB7.2 million for the three months ended March 31, 2019, primarily due to a significant increase of RMB7.6 million in other government grants for the three months ended March 31, 2020.

Other Gains, Net

Our other gains, net increased from RMB1.5 million for the three months ended March 31, 2019 to RMB7.5 million for the three months ended March 31, 2020, primarily due to an increase of RMB6.0 million in fair value gains on investments in redeemable preferred shares.

Operating Profit/(loss)

As a result of the foregoing, we had an operating profit of RMB25.0 million for the three months ended March 31, 2020, compared to an operating profit of RMB8.0 million for the three months ended March 31, 2019.

FINANCIAL INFORMATION

For our SaaS products, we had operating loss of RMB7.7 million for the three months ended March 31, 2020, compared to operating loss of RMB17.9 million for the three months ended March 31, 2019.

For our ERP solutions, our operating profit increased from RMB24.3 million for the three months ended March 31, 2019 to RMB28.8 million for the three months ended March 31, 2020.

Finance Income

Our finance income increased from RMB71,000 for the three months ended March 31, 2019 to RMB471,000 for the three months ended March 31, 2020, primarily due to an increase in interest income from bank deposits.

Finance Costs

Our finance costs increased from RMB465,000 for the three months ended March 31, 2019 to RMB528,000 for the three months ended March 31, 2020, primarily due to an increase in interest expenses on lease liabilities.

Fair Value Changes of Convertible Redeemable Preferred Shares

We recorded fair value losses of convertible redeemable preferred shares of RMB9.0 million for the three months ended March 31, 2020, which was relating to the conversion of certain convertible notes held by our investors, as compared to nil for the three months ended March 31, 2019.

Profit Before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB16.0 million for the three months ended March 31, 2020, compared with a profit before income tax of RMB7.6 million for the three months ended March 31, 2019.

Income Tax Expenses

Our income tax expenses increased from RMB0.7 million for the three months ended March 31, 2019 to RMB1.3 million for the three months ended March 31, 2020, primarily due to the increases in profits of certain entities subject to income tax.

Profit/(loss) for the Period

As a result of the foregoing, we reported a profit of approximately RMB14.7 million for the three months ended March 31, 2020, compared to a profit of RMB6.9 million for the three months ended March 31, 2019.

FINANCIAL INFORMATION

For our SaaS products, we reported a loss of RMB7.9 million for the three months ended March 31, 2020, compared to a loss of RMB18.0 million for the three months ended March 31, 2019.

For our ERP solutions, we reported a profit of RMB27.6 million for the three months ended March 31, 2020, compared to a profit of RMB23.3 million for the three months ended March 31, 2019.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues

Our total revenues increased by 38.5% from RMB912.8 million in 2018 to RMB1,264.0 million in 2019, primarily due to the increases in revenues generated from both of our SaaS products and ERP solutions as a result of our continuous business expansion described below.

SaaS Products

Revenues from our SaaS products increased by 54.8% from RMB329.3 million in 2018 to RMB509.8 million in 2019, primarily due to increases in (i) revenues derived from our *CRM Cloud (雲客)* product from RMB226.5 million in 2018 by 56.8% to RMB355.2 million in 2019, which was attributable to the significantly increased number of paying end group customers who subscribed for our *CRM Cloud (雲客)* product from approximately 1,700 in 2018 to 2,400 in 2019 as a result of our enhanced brand reputation and successful cross-sales of our *CRM Cloud (雲客)* across our existing customers, which offers effective integration with our ERP solutions to enhance performance, and (ii) revenues derived from our *Construction Cloud (雲鏈)* from RMB73.7 million in 2018 by 51.1% to RMB111.4 million in 2019, primarily because the number of paying end group customers who subscribed for our *Construction Cloud (雲鏈)* increased from approximately 300 in 2018 to 400 in 2019, and the property construction sites which were equipped with our *Construction Cloud (雲鏈)* surged from approximately 1,100 in 2018 to 2,100 in 2019, as a result of growing market acceptance of our strengthened product functions and successful cross-sales of our *Construction Cloud (雲鏈)* across our existing customers, which offers effective integration with our ERP solutions to enhance performance.

ERP Solutions

Revenues from our ERP solutions increased by 29.2% from RMB583.5 million in 2018 to RMB754.1 million in 2019, primarily due to increases in (i) revenues from our value-added services from RMB206.5 million in 2018 by 54.9% to RMB320.0 million in 2019, which was primarily attributable to the increase of paying end group customers who subscribed for our value-added services from approximately 200 in 2018 to 300 in 2019, as a result of their growing demands for customized ERP solutions, (ii) revenue from our product support services from RMB69.6 million in 2018 by 63.3% to RMB113.6 million in 2019, primarily due to the increased number of paying end group customers who subscribed for our product support services from approximately 600 in 2018 to 900 in 2019, as a result of increasing customer acceptance of our comprehensive, industry-specific ERP solutions.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased by 52.1% from RMB177.1 million in 2018 to RMB269.4 million in 2019.

Our cost of sales for SaaS products increased by 217.7% from RMB14.1 million in 2018 to RMB44.9 million in 2019. This increase was primarily driven by an increase in cost of inventories sold from nil in 2018 to RMB18.2 million in 2019, primarily because we commenced to sell smart devices in relation to our *CRM Cloud (雲客)* in April 2019, which enhances product functions and improves customer experience. To a lesser extent, the increase was also attributable to the increase in employee benefit expenses, from RMB10.2 million in 2018 to RMB18.1 million in 2019, as a result of the increased number of employees supporting the delivery and implementation of our SaaS business, which was also in line with the overall growth of our SaaS business.

Our cost of sales for ERP solutions increased by 37.7% from RMB163.0 million in 2018 to RMB224.5 million in 2019, which was in line with the increase of our revenues from ERP solutions. This increase was primarily driven by the increases in (i) employee benefit expenses from RMB111.4 million in 2018 to RMB146.6 million in 2019, as a result of the increased number of employees for our ERP business, which was also in line with the overall growth of business, and (ii) outsourcing expenses from RMB39.1 million in 2018 to RMB66.5 million in 2019 as we outsourced a portion of the implementation services, product support services and value-added services for our ERP solutions to qualified third-party service providers to improve our operational efficiency.

Gross Profit

As a result of the foregoing, our overall gross profit increased by 35.2% from RMB735.7 million in 2018 to RMB994.6 million in 2019. Gross profit from our SaaS products increased by 47.5% from RMB315.2 million in 2018 to RMB464.9 million in 2019. Gross profit from our ERP solutions increased by 26.0% from RMB420.5 million in 2018 to RMB529.7 million in 2019.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 28.9% from RMB342.2 million in 2018 to RMB441.1 million in 2019, primarily attributable to the increases in (i) commission expenses, from RMB141.8 million in 2018 to RMB202.1 million in 2019, which was in line with the increase of revenues derived from our regional channel partners for sales of our SaaS products, from RMB189.4 million in 2018 to RMB297.0 million in 2019, as we continued to deepen cooperation with our regional channel partners to scale our presence in regional markets, and (ii) employee benefit expenses, from RMB158.7 million in 2018 to RMB187.8 million in 2019, primarily due to increase in sales and marketing staff headcount, and to a lesser extent, increase of compensation levels for our sales and marketing staff.

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses increased from RMB80.1 million in 2018 to RMB108.4 million in 2019, primarily due to the increases in (i) employee benefit expenses, from RMB51.1 million in 2018 to RMB67.1 million in 2019, mainly due to the increase of administrative headcount from 141 as of December 31, 2018 to 206 as of December 31, 2019, and the average salaries and benefits of our administrative staff, and (ii) professional and technical service fees from RMB5.8 million in 2018 to RMB11.2 million in 2019, mainly attributable to an increase in management consulting fees in 2019 as we continue to improve management efficiency and operational excellence. To a lesser extent, the increase was also attributable to an increase of RMB4.3 million in listing expenses as we did not incur any listing expenses in 2018.

Research and Development Expenses

Our research and development expenses increased from RMB218.1 million in 2018 to RMB286.3 million in 2019, mainly due to an increase of RMB66.2 million in employee benefit expenses, primarily as a result of the increases of research and development staff headcount and the compensation levels for our research and development staff.

Net Impairment Losses on Financial Assets and Contract Assets

We had a net impairment loss of RMB2.1 million in 2019 compared to a net impairment loss of RMB4.0 million in 2018, primarily because we wrote off contract assets and trade receivables of RMB2.0 million as uncollectible in 2018, while no financial assets or contract assets were written off in 2019.

Other Income

Our other income remained relatively stable from 2018 to 2019. We recorded other income of RMB83.0 million in 2019, as compared to that of RMB83.1 million in 2018. The decrease in VAT refunds from RMB39.5 million in 2018 to RMB30.4 million in 2019, which was in line with the decrease in our VAT expenses as a result of adjustments in tax policies, was partially offset by increases in (i) income generated from offline activities and others from RMB17.6 million in 2018 to RMB20.2 million in 2019, as a result of various industry events held by us in 2019, which contributed to our enhanced brand reputation as a trusted industry expert, and (ii) other government grants from RMB9.3 million in 2018 to RMB16.3 million in 2019.

Other Gains, Net

Our other gains, net decreased by 24.1% from net gains of RMB6.0 million in 2018 to net gains RMB4.5 million in 2019, primarily attributable to a decrease in fair value gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss from RMB6.1 million in 2018 to RMB1.6 million in 2019. The decrease was partially offset by an increase of RMB2.6 million in fair value gains on investments in redeemable preferred shares.

FINANCIAL INFORMATION

Operating Profit/(loss)

As a result of the foregoing, we had an operating profit of RMB244.1 million in 2019, compared to an operating profit of RMB180.3 million in 2018.

For our SaaS products, we had an operating loss of RMB41.4 million in 2019, compared to an operating loss of RMB45.1 million in 2018.

For our ERP solutions, our operating profit increased from RMB219.4 million in 2018 to RMB284.9 million in 2019.

Finance Income

We recorded finance income of RMB0.2 million in 2019 due to the increase in interest income from our bank deposits.

Finance Costs

Our finance costs decreased from RMB2.0 million in 2018 to RMB1.9 million in 2019, primarily due to a decrease in interest expenses on bank borrowings, which was partially offset by an increase in interest expenses on lease liabilities.

Profit Before Income Tax

As a result of the foregoing, we had profits before income tax of RMB242.4 million in 2019, compared with a profit before income tax of RMB178.4 million in 2018.

Income Tax Expenses

We had an income tax expenses of RMB15.4 million in 2018, and an income tax expense of RMB10.7 million in 2019, primarily due to the losses or the decreases in profits of certain entities subject to income tax.

Profit/(loss) for the Year

As a result of the foregoing, we reported a profit of approximately RMB163.0 million in 2018, compared to a profit of RMB231.6 million in 2019.

For our SaaS products, we reported a loss of RMB45.3 million in 2018, compared to a loss of RMB41.8 million in 2019.

For our ERP solutions, we reported a profit of RMB202.3 million in 2018, compared to a profit of RMB272.9 million in 2019.

FINANCIAL INFORMATION

Year Ended December 31, 2017 Compared to Year Ended December 31, 2018

Revenues

Our revenues increased by 57.5% from RMB579.6 million in 2017 to RMB912.8 million in 2018, primarily due to the increases in revenues generated from both of our SaaS products and ERP solutions as a result of our continuous business expansion described below.

SaaS products

Revenues from our SaaS products increased rapidly by 83.5% from RMB179.5 million in 2017 to RMB329.3 million in 2018. This was largely due to the increase in revenues derived from our *CRM Cloud (雲客)* from RMB121.7 million in 2017 by 86.1% to RMB226.5 million in 2018, which was attributable to the significantly increased number of paying end group customers who subscribed for our *CRM Cloud (雲客)* from approximately 1,200 in 2017 to 1,700 in 2018, as a result of our enhanced brand reputation and successful cross-sales of our *CRM Cloud (雲客)* across our existing customers, which offers effective integration with our ERP solutions. To a lesser extent, the increase was also due to a significant increase in revenues derived from our *Construction Cloud (雲鏈)* from RMB42.4 million in 2017 by 73.6% to RMB73.7 million in 2018, which was primarily attributable to the increased number of paying end group customers who subscribed for our *Construction Cloud (雲鏈)* from approximately 200 in 2017 to 300 in 2018, as a result of growing market acceptance of our strengthened product functions and successful cross-sales of our *Construction Cloud (雲鏈)* across our existing customers, which offers effective integration with our ERP solutions.

ERP solutions

Revenues from our ERP solutions increased substantially by 45.8% from RMB400.1 million in 2017 to RMB583.5 million in 2018. This was primarily due to increases in (i) revenues from our value-added services from RMB117.9 million in 2017 by 75.1% to RMB206.5 million in 2018, which was primarily attributable to the increase of paying end group customers who subscribed for our value-added services as a result of their growing demands for customized ERP solutions, (ii) software licensing fees for our ERP solutions from RMB157.9 million in 2017 by 46.9% to RMB231.9 million in 2018, as a result of the increased number of paying end group customers, which increased from approximately 900 in 2017 to 1,200 in 2018, largely driven by our successful penetration into lower-tier regional markets, as well as our enhanced brand reputation among leading property developers in China, (iii) implementation revenues directly associated with deployment of our newly licensed ERP solutions, which increased from RMB68.0 million in 2017 by to RMB75.5 million in 2018, generally in line with the increase of the licensing fees.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased by 48.4% from RMB119.3 million in 2017 to RMB177.1 million in 2018, primarily due to significant business growth of both of our SaaS products and ERP solutions as described below.

Cost of sales for SaaS products increased by 47.0% from RMB9.6 million in 2017 to RMB14.1 million in 2018, which was primarily due to the increases in (i) employee benefit expenses, from RMB7.6 million in 2017 to RMB10.2 million in 2018, as a result of our increased number of employees for our SaaS products business, which was also in line with the overall growth of business, and (ii) IT and communication charges, from RMB1.4 million in 2017 to RMB2.7 million in 2018, primarily because we leased more IT infrastructure in 2018 to meet the growing demand for our SaaS products.

Cost of sales for ERP solutions increased by 48.6% from RMB109.7 million in 2017 to RMB163.0 million in 2018, which was in line with the increase of our revenues from ERP solutions. This was primarily due to an increase in outsourcing expenses from nil in 2017 to RMB39.1 million in 2018 as we commenced to outsource certain of our value-added services to external parties in 2018. The increase was also driven by an increase in employee benefit expenses, from RMB99.4 million in 2017 to RMB111.4 million in 2018, as a result of our increased number of employees for our ERP solutions business, which was also in line with the overall growth of business.

Gross Profit

As a result of the foregoing, our overall gross profit increased by 59.8% from RMB460.3 million in 2017 to RMB735.7 million in 2018, respectively. Gross profit from our SaaS products increased by 85.5% from RMB169.9 million in 2017 to RMB315.2 million in 2018. Gross profit from our ERP solutions increased by 44.8% from RMB290.4 million in 2017 to RMB420.5 million in 2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 76.0% from RMB194.5 million in 2017 to RMB342.2 million in 2018, mainly due to the increases in (i) employee benefit expenses, from RMB87.6 million in 2017 to RMB158.7 million in 2018, as we made additional hires and paid a higher amount of bonuses to incentivize our sales and marketing staff in 2018, and (ii) commission expenses, from RMB77.1 million to RMB141.8 million, which was in line with the increase of revenues derived from our regional channel partners for sales of our SaaS products, from RMB98.9 million in 2017 to RMB189.4 million in 2018, as we continued to deepen cooperation with our regional channel partners to scale our presence in regional markets.

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses decreased by 3.5% from RMB83.0 million in 2017 to RMB80.1 million in 2018, primarily because we paid share-based compensation of RMB19.4 million to our management and certain key employees in 2017 while we did not pay any share-based compensation in 2018.

Research and Development Expenses

Our research and development expenses increased by 39.2% from RMB156.7 million in 2017 to RMB218.1 million in 2018, mainly due to an increase of RMB68.7 million in employee benefit expenses, primarily as a result of the increase of research and development staff headcount. The increase in our research and development expenses was partially offset by a decrease of RMB10.1 million in outsourcing expenses as we continued to grow our in-house research and development force to support the development of our software solutions.

Net Impairment Losses on Financial Assets and Contract Assets

We had a net impairment loss of RMB4.0 million in 2018 compared to a net impairment loss of RMB0.5 million in 2017, primarily because we wrote off contract assets and trade receivables of RMB2.0 million as uncollectible in 2018.

Other Income

Our other income increased from RMB61.4 million in 2017 to RMB83.1 million in 2018, primarily as a result of an increase in income from wealth management products and VAT refunds.

Other Gains, Net

We had reported other gains, net of RMB6.0 million in 2018 as compared to other gains, net of RMB1.5 million in 2017, primarily attributable to an increase of RMB4.5 million in fair value gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss.

Operating Profit/(loss)

As a result of the foregoing, we had an operating profit of RMB180.3 million in 2018 compared to an operating profit of RMB88.6 million in 2017.

We had an operating loss for our SaaS products of RMB50.7 million and RMB45.1 million in 2017 and 2018, respectively.

Our operating profit for our ERP solutions increased from RMB157.2 million in 2017 to RMB219.4 million in 2018.

FINANCIAL INFORMATION

Finance Income

Our finance income decreased from RMB130,000 in 2017 to RMB121,000 in 2018. This was primarily due to the decrease in interest income from our bank deposits.

Finance Costs

Our finance costs decreased from RMB3.6 million in 2017 to RMB2.0 million in 2018, primarily due to the decrease in dividends paid to holders of financial liabilities at fair value through profit or loss.

Profit Before Income Tax

As a result of the foregoing, we recorded profit before income tax of RMB83.3 million and RMB178.4 million, respectively, in 2017 and 2018.

Income Tax Expense

We had an income tax expense of RMB15.4 million in 2018, compared to an income tax expense of RMB10.5 million in 2017, primarily due to the increase of our profit before income tax expenses.

Profit/(loss) for the Year

As a result of the foregoing, we reported a profit of RMB163.0 million in 2018, compared to a profit of RMB72.8 million in 2017.

For our SaaS products, we reported a loss of RMB45.3 million in 2018, compared to a loss of RMB50.9 million in 2017.

For our ERP solutions, we reported a profit of RMB202.3 million in 2018, compared to a profit of RMB145.6 million in 2017.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this prospectus.

| | As of December 31, | | | As of |
|---|--------------------|----------------|------------------|------------------|
| | 2017 | 2018 | 2019 | March 31, |
| | (RMB in thousands) | | | 2020 |
| Total non-current assets | 185,043 | 236,784 | 246,200 | 249,674 |
| Total current assets | 458,415 | 549,958 | 988,488 | 899,644 |
| Total assets | 643,458 | 786,742 | 1,234,688 | 1,149,318 |
| Total non-current liabilities | 33,789 | 48,934 | 49,085 | 45,854 |
| Total current liabilities | 272,467 | 439,811 | 914,651 | 828,054 |
| Total liabilities | 306,256 | 488,745 | 963,736 | 873,908 |
| Share capital | – | – | 107 | 124 |
| Treasury shares | – | – | – | (7) |
| Reserves | 175,603 | 242,148 | 12,694 | 2,425 |
| Retained earnings | 172,060 | 60,408 | 253,684 | 263,739 |
| Equity attributable to equity holders of the Company | 347,663 | 302,556 | 266,485 | 266,281 |
| Non-controlling interests | (10,461) | (4,559) | 4,467 | 9,129 |
| Total equity and liabilities | 643,458 | 786,742 | 1,234,688 | 1,149,318 |

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The following table sets forth our assets and liabilities as of the dates indicated.

| | As of December 31, 2017 2018 2019 (RMB in thousands) | | | As of March 31, 2020 |
|---|--|----------------|----------------|----------------------------|
| Non-current assets | | | | |
| Property, plant and equipment | 106,759 | 110,072 | 118,283 | 123,275 |
| Right-of-use assets | 35,679 | 52,170 | 50,864 | 50,625 |
| Intangible assets | 1,204 | 1,363 | 2,077 | 1,952 |
| Investments accounted for using the equity method | 256 | 233 | – | – |
| Financial assets at fair value through profit or loss | 23,299 | 41,350 | 36,163 | 42,348 |
| Financial assets at fair value through other comprehensive income | 15,893 | 26,554 | 32,183 | 25,485 |
| Contract acquisition costs | 100 | 465 | 731 | 914 |
| Prepayments and other receivables | 1,452 | 3,890 | 5,034 | 4,170 |
| Deferred income tax assets | 401 | 687 | 865 | 905 |
| Total non-current assets | 185,043 | 236,784 | 246,200 | 249,674 |
| Current assets | | | | |
| Inventories | 39 | 242 | 281 | 466 |
| Contract assets | 10,105 | 12,477 | 25,090 | 34,045 |
| Contract acquisition costs | 31,434 | 60,257 | 103,182 | 101,959 |
| Trade receivables | 7,055 | 16,228 | 20,962 | 20,835 |
| Prepayments and other receivables | 10,648 | 10,902 | 15,710 | 27,454 |
| Income tax recoverable | 2,751 | 1,151 | 308 | 5,437 |
| Financial assets at fair value through profit or loss | 345,342 | – | 90,000 | – |
| Restricted cash | 876 | 779 | 748 | 748 |
| Cash and cash equivalents | 50,165 | 447,922 | 732,207 | 708,700 |
| Total current assets | 458,415 | 549,958 | 988,488 | 899,644 |
| Non-current liabilities | | | | |
| Contract liabilities | 12,637 | 15,733 | 18,396 | 16,164 |
| Lease liabilities | 20,206 | 30,572 | 29,175 | 28,506 |
| Deferred income tax liabilities | 946 | 2,629 | 1,514 | 1,184 |
| Total non-current liabilities | 33,789 | 48,934 | 49,085 | 45,854 |
| Current Liabilities | | | | |
| Trade payables | 42 | 7,309 | 23,921 | 19,632 |
| Other payables and accruals | 95,240 | 163,200 | 178,675 | 119,815 |
| Contract liabilities | 167,931 | 251,699 | 377,692 | 338,197 |
| Current income tax liabilities | 1,123 | 149 | 382 | 1,344 |
| Lease liabilities | 8,131 | 17,454 | 20,052 | 21,161 |
| Convertible redeemable preferred shares | – | – | 313,929 | 327,905 |
| Total current liabilities | 272,467 | 439,811 | 914,651 | 828,054 |
| Net current assets | 185,948 | 110,147 | 73,837 | 71,590 |

FINANCIAL INFORMATION

The following table sets forth our current assets and current liabilities as of the dates indicated:

| | As of December 31, | | | As of | As of |
|---|--------------------|----------------|----------------|----------------|------------------|
| | 2017 | 2018 | 2019 | March 31, | July 31, |
| | | | | 2020 | 2020 |
| | | | | | (unaudited) |
| <i>(RMB in thousands)</i> | | | | | |
| Current assets | | | | | |
| Inventories | 39 | 242 | 281 | 466 | 527 |
| Contract assets | 10,105 | 12,477 | 25,090 | 34,045 | 47,208 |
| Contract acquisition costs | 31,434 | 60,257 | 103,182 | 101,959 | 134,837 |
| Trade receivables | 7,055 | 16,228 | 20,962 | 20,835 | 24,165 |
| Prepayments and other receivables | 10,648 | 10,902 | 15,710 | 27,454 | 30,392 |
| Income tax recoverable | 2,751 | 1,151 | 308 | 5,437 | 16,094 |
| Financial assets at fair value through profit or loss | 345,342 | – | 90,000 | – | 742,782 |
| Restricted cash | 876 | 779 | 748 | 748 | 49 |
| Cash and cash equivalents | 50,165 | 447,922 | 732,207 | 708,700 | 119,159 |
| Total current assets | 458,415 | 549,958 | 988,488 | 899,644 | 1,115,213 |
| Current Liabilities | | | | | |
| Trade payables | 42 | 7,309 | 23,921 | 19,632 | 21,422 |
| Other payables and accruals | 95,240 | 163,200 | 178,675 | 119,815 | 109,454 |
| Contract liabilities | 167,931 | 251,699 | 377,692 | 338,197 | 443,603 |
| Current income tax liabilities | 1,123 | 149 | 382 | 1,344 | – |
| Lease liabilities | 8,131 | 17,454 | 20,052 | 21,161 | 18,148 |
| Convertible redeemable preferred shares | – | – | 313,929 | 327,905 | 352,536 |
| Total current liabilities | 272,467 | 439,811 | 914,651 | 828,054 | 945,163 |
| Net current assets | 185,948 | 110,147 | 73,837 | 71,590 | 170,050 |

We had net current assets of RMB185.9 million, RMB110.1 million and RMB73.8 million, RMB71.6 million and RMB170.1 million (unaudited) as of December 31, 2017, 2018 and 2019, March 31, 2020 and July 31, 2020. Our net current assets position as of each of these dates was primarily attributable to our large balance of cash and cash equivalents and financial assets at fair value through profit or loss, partially offset by our contract liabilities and other payables and accruals.

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Our net current assets decreased from RMB185.9 million as of December 31, 2017 to RMB110.1 million as of December 31, 2018, primarily due to a decrease of RMB345.3 million in financial assets at fair value through profit or loss, and the increases in other payables and accruals of RMB68.0 million and contract liabilities of RMB83.8 million in 2018. The decrease was partially offset by a significant increase in cash and cash equivalents of RMB397.8 million in 2018.

Our net current assets decreased from RMB110.1 million as of December 31, 2018 to RMB73.8 million as of December 31, 2019, primarily due to the increases in convertible redeemable preferred shares of RMB313.9 million and contract liabilities of RMB126.0 million in 2019. The decrease was partially offset by the increases in cash and cash equivalents of RMB284.3 million, financial assets at fair value through profit or loss of RMB90.0 million and contract acquisition costs of RMB42.9 million.

Our net current assets decreased from RMB73.8 million as of December 31, 2019 to RMB71.6 million as of March 31, 2020, primarily due to the decreases in financial assets at fair value through profit or loss of RMB90.0 million and cash and cash equivalents of RMB23.5 million, and an increase in convertible redeemable preferred shares of RMB14.0 million. The decrease was partially offset by the decreases in other payables and accruals of RMB58.9 million and contract liabilities of RMB39.5 million.

Our net current assets increased from RMB71.6 million as of March 31, 2020 to RMB170.1 million (unaudited) as of July 31, 2020, primarily due to the increases in financial assets at fair value through profit or loss of RMB742.8 million (unaudited) and contract acquisition costs of RMB32.9 million (unaudited). The increase was partially offset by a decrease in cash and cash equivalents of RMB589.5 million (unaudited) primarily as a result of our investment of RMB742.8 million (unaudited) in certain wealth management products and an increase in contract liabilities of RMB105.4 million (unaudited).

Assets

Property, plant and equipment

Our property, plant and equipment primarily consist of buildings, computer equipment, furniture and office equipment, motor vehicles, leasehold improvements and assets under construction, which primarily represent our property currently under construction in Wuhan.

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The following table sets forth our property, plant and equipment as of the dates indicated:

| | As of December 31, | | | As of |
|---|--------------------|----------------|----------------|----------------|
| | 2017 | 2018 | 2019 | March 31, |
| | (RMB in thousands) | | | 2020 |
| Buildings | 35,081 | 35,081 | 35,081 | 35,081 |
| Computer equipment | 18,406 | 20,646 | 23,942 | 24,161 |
| Furniture and office equipment | 4,938 | 6,444 | 8,759 | 8,779 |
| Motor vehicles | 789 | 789 | 789 | 789 |
| Leasehold improvements | 2,159 | 5,345 | 9,138 | 9,216 |
| Assets under construction | 68,262 | 68,262 | 72,849 | 79,457 |
| Less: accumulated depreciation | (22,876) | (26,495) | (32,275) | (34,208) |
| Net book value of property, plant and equipment | <u>106,759</u> | <u>110,072</u> | <u>118,283</u> | <u>123,275</u> |

The gross book value of our property, plant and equipment increased from RMB129.6 million as of December 31, 2017 to RMB136.6 million as of December 31, 2018, primarily due to acquisition of computer equipment, furniture and office equipment and additions of leasehold improvements during 2018.

The gross book value of our property, plant and equipment increased from RMB136.6 million as of December 31, 2018 to RMB150.6 million as of December 31, 2019, primarily due to the deed tax we paid for our property under construction in Wuhan, additions of leasehold improvements and acquisition of computer equipment, furniture and office equipment during 2019.

The gross book value of our property, plant and equipment increased from RMB150.6 million as of December 31, 2019 to RMB157.5 million as of March 31, 2020, primarily attributable to our property under construction in Wuhan.

Accumulated depreciation increased from RMB22.9 million as of December 31, 2017 to RMB26.5 million as of December 31, 2018, to RMB32.3 million as of December 31, 2019, and further increased to RMB34.2 million as of March 31, 2020.

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Right-of-use assets

Our right-of-use assets primarily consist of buildings and land use right. The following table sets forth our right-of-use assets as of the dates indicated.

| | As of December 31, | | | As of |
|----------------|--------------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | March 31, |
| | (RMB in thousands) | | | 2020 |
| Buildings | 28,130 | 44,792 | 43,657 | 43,461 |
| Land use right | 7,549 | 7,378 | 7,207 | 7,164 |
| Total | 35,679 | 52,170 | 50,864 | 50,625 |

Our right-of-use assets increased by 46.2% from RMB35.7 million as of December 31, 2017 to RMB52.2 million as of December 31, 2018, primarily because we leased additional properties in 2018.

Our right-of-use asset decreased by 2.5% from RMB52.2 million as of December 31, 2018 to RMB50.9 million as of December 31, 2019, primarily due to depreciation of our buildings and land use right.

Our right-of-use asset remained stable at RMB50.6 million as of the three months ended March 31, 2020.

Financial assets at fair value through profit or loss

During the Track Record Period, our Group's financial assets at fair value through profit or loss comprised (i) investments in certain wealth management products issued by major and reputable commercial banks in the PRC and (ii) investments in unlisted equity securities. As the returns on all of these wealth management products are not guaranteed, we designated the whole instruments as financial assets at fair value through profit or loss.

During the Track Record Period, the wealth management products purchased by us were generally described as having low or middle levels of risks in the product description manuals published by the issuing banks. The underlying assets of the wealth management products were mainly investments in various types of assets that meet regulatory requirements and are highly liquid and with higher market credit rating, including but not limited to bonds, inter-bank deposits, bond funds and other money market instruments. As the returns on all of these wealth management products are not guaranteed, we designated the whole instruments as financial assets at fair value through profit or loss.

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The following table sets forth a breakdown of our payments for purchase of wealth management products by type for the periods indicated and the outstanding amount as of the dates indicated.

| | For the year ended December 31, | | | Three months ended March 31, | |
|--|------------------------------------|-------------------------|-------------------------|---------------------------------|-----------------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | <i>(Unaudited)</i> | | | | |
| | <i>(RMB in thousands)</i> | | | | |
| Payments for purchase of wealth management products | | | | | |
| – Principal-protected | 488,500 | 765,000 | 887,800 | 355,000 | 390,000 |
| – Non Principal-protected | <u>1,355,760</u> | <u>978,820</u> | <u>1,662,840</u> | <u>727,840</u> | <u>298,030</u> |
| | <u>1,844,260</u> | <u>1,743,820</u> | <u>2,550,640</u> | <u>1,082,840</u> | <u>688,030</u> |

| Product type | Industry | Level of risk <i>(Note 1)</i> | Underlying asset | As at December 31 | | | As at March 31 |
|---------------------|---------------------|-------------------------------------|--|---------------------------|-----------------|----------------------|-------------------|
| | | | | 2017 | 2018 | 2019 | 2020 |
| | | | | <i>(RMB in thousands)</i> | | | |
| Principal-protected | Banking industry | R1 | Gold prices published by the London Bullion Market Association | 30,017 | – | – | – |
| Principal-protected | Banking industry | R1 | 3-month USD LIBOR | 315,325 | – | 90,000 | – |
| Total | | | | <u>345,342</u> | <u>–</u> | <u>90,000</u> | <u>–</u> |

Note:

- R1 refer to low risk according to the classification set by the relevant financial institutions.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Supervised by Mr. Gao, the Chairman of the Board who has been supervising our investment activities since the inception of our Group and was highly involved in our historical investments, our finance and legal departments will propose, analyze and evaluate potential investment in wealth management products based

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on recommendations of our relationship and account managers at reputable banks in China. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by Mr. Gao and his designated senior member of our management. Our investment strategy related to wealth management products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our shareholders. We primarily invest in wealth management products issued by major commercial banks in China with relatively low risks and a short-to mid-term of no more than one year. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment.

In addition, we have been in the past, and expect to continue prudently evaluating and considering a wide array of potential strategic investments in emerging businesses along the real estate value chain in China to diversify our product offerings, improve our technological capabilities, and broaden our customer base. During the Track Record Period, we made (i) minority equity investments in certain private companies, and (ii) certain redeemable preferred shares issued by certain private companies with redeemable terms, according to which we have the right to require and demand the investees to redeem all of the shares held by us at guaranteed predetermined fixed amount at certain future events. Therefore, our investments in redeemable preferred shares are accounted for as debt instrument investments and are measured at financial assets at fair value through profit or loss.

Our strategy and corporate development department is responsible for identifying, reviewing and pursuing strategic investments that are complementary to our growth strategies. Steered by Mr. Gao, the Chairman of the Board, and Mr. Jiang Keyang (蔣科陽), our executive Director and Chief Financial Officer, our strategy and corporate development department is led by Mr. Chen Ruichen (陳銳宸), managing director of our strategy and corporate development department, who has approximately six years of experience in corporate finance and M&As in the technology and real estate industry in China and overseas. Before joining our company, Mr. Chen Ruichen worked at China Renaissance as a director focusing on corporate finance for technology companies in the real estate industry. Prior to making any investment decision, our strategy and corporate development department will thoroughly assess any potential investments based on various criteria, including but not limited to (i) the target's geographic locations, (ii) size and growth potential, (iii) size and quality of the target's existing customer base, (iv) operating history and track record of growth, (v) technological capabilities and (vi) quality of senior management and leadership, before the proposal is provided to our Directors or shareholders for approval. We closely monitor the operational and financial performance of our acquired business and investees. From time to time, we may also decide to dispose of certain or all of our equity interests in our investee companies to achieve financial returns or to align with our business focus. Our internal procedures for exit decisions are substantially similar to the procedures for investment decisions.

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The following table sets forth a breakdown of our financial assets at fair value through profit or loss indicated.

| | As of December 31, | | | As of |
|--|--------------------|---------------|----------------|---------------|
| | 2017 | 2018 | 2019 | March 31, |
| | (RMB in thousands) | | | |
| Current Portion | | | | |
| Investments in wealth management products | 345,342 | – | 90,000 | – |
| Non-current Portion | | | | |
| Investments in unlisted equity securities | 23,299 | 29,350 | 1,723 | 1,863 |
| Investments in redeemable preferred shares | – | 12,000 | 34,440 | 40,485 |
| Total | <u>368,641</u> | <u>41,350</u> | <u>126,163</u> | <u>42,348</u> |

Our financial assets at fair value through profit or loss decreased from RMB368.6 million as of December 31, 2017 to RMB41.4 million as of December 31, 2018, primarily due to a decrease in investments in wealth management products as a result of redemption of our wealth management products.

Our financial assets at fair value through profit or loss increased from RMB41.4 million as of December 31, 2018 to RMB126.2 million as of December 31, 2019, primarily as we made an investment of RMB90.0 million in certain wealth management products in 2019.

Our financial assets at fair value through profit or loss decreased from RMB126.2 million as of December 31, 2019 to RMB42.3 million as of March 31, 2020, primarily due to a decrease in investments in wealth management products as a result of redemption of our wealth management products.

Inventories

Our inventories primarily consist of software dongles, which we use to implement our ERP solutions. Under our commercial arrangements with the suppliers of the smart devices in relation to our *CRM Cloud* (雲客), the smart devices that we order from the suppliers are directly shipped from the warehouse facilities of such suppliers and our business operations do not involve any storage or stocking of such smart devices.

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Our inventories increased from RMB39,000 as of December 31, 2017 to RMB242,000 as of December 31, 2018, and further to RMB281,000 as of December 31, 2019, and further to RMB466,000 as of March 31, 2020, primarily driven by the increase in the amount of software dongles that we purchased from our suppliers, which was in line with the growth of the implementation services rendered in connection with our ERP solutions.

As of July 31, 2020, RMB35,000 (unaudited), or 7.5% (unaudited) of our inventories as of March 31, 2020 had been sold or utilized.

Contract assets

Our contract assets represent our rights to receive consideration for obligations partially performed and not yet billed under our licensing agreements with the customers for our ERP solutions as such rights are conditioned on our future performance of our remaining obligations under such licensing agreements, such as our provision of implementation services.

Our contract assets increased from RMB10.1 million as of December 31, 2017 to RMB12.5 million as of December 31, 2018, and further to RMB25.1 million as of December 31, 2019, and further to RMB34.0 million as of March 31, 2020, generally in line with the increase of revenues derived from our ERP solutions during the periods.

The following table sets forth the turnover days of our contract assets for the periods indicated.

| | For the year ended December 31, | | | For the three months ended March 31, |
|--------------------------|---------------------------------|------|------|---|
| | 2017 | 2018 | 2019 | 2020 |
| Contract assets turnover | | | | |
| days | 6 | 5 | 6 | 11 |

Note:

- (1) Contract assets turnover days for a period equals the average of the opening and closing contract assets balance divided by revenue for the relevant period and multiplied by the number of days in the relevant period.

Our contract assets turnover days remained relatively stable at six days, five days and six days in 2017, 2018 and 2019, respectively. Our contract assets turnover days increased from six days in 2019 to eleven days in the first quarter of 2020, primarily due to the impact of the COVID-19 outbreak on our ability to perform certain of our contractual obligations with respect to our ERP solutions, such as the provision of large-scale implementation services. We expect our contract assets turnover days to improve as local governments in Chinese continue to ease or lift lockdown restrictions.

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As of July 31, 2020, RMB28.8 million (unaudited), or 76.9% (unaudited) of our contract assets as of March 31, 2020 had been subsequently settled.

Contract acquisition costs (Current portion)

Contract acquisition costs represent the differences between the gross amount billed to the end customers by our regional channel partners and the amount billed to our regional channel partners by us. We recognize revenue generated from sales of our SaaS products through our regional channel partners on a gross basis. During the Track Record Period, we paid sales commissions to our regional channel partners for sales of our SaaS products. We recognize such contract acquisition costs to our regional channel partners over the contract period as part of our selling and marketing expenses in our profit and loss, the deferred portion of which we recognize as contract assets.

Our contract acquisition costs increased from RMB31.4 million as of December 31, 2017 to RMB60.3 million as of December 31, 2018, and further to RMB103.2 million as of December 31, 2019, primarily attributable to the increased customers for our SaaS products that we acquired through our regional channel partners for sales of our SaaS products over the years as we continued to deepen cooperation with our regional channel partners to increase our presence in regional market. The increases were also in line with the overall growth of our SaaS business during the Track Record Period.

Our contract acquisition costs slightly decreased from RMB103.2 million as of December 31, 2019 to RMB102.0 million as of March 31, 2020, primarily because the growth in new customers for our SaaS products had temporarily slowed in the first quarter of 2020 due to the COVID-19 outbreak while we continued to recognize our contract acquisition costs over the relevant contract period as our selling and marketing expenses.

As of July 31, 2020, RMB56.1 million (unaudited), or 54.5% (unaudited) of our contract acquisition costs outstanding as of March 31, 2020 had been subsequently utilized.

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Trade receivables

Trade receivables represent outstanding amounts due from our customers for software licensing or services performed in the ordinary course of business. A trade receivable is recorded when we have an unconditional right to consideration and upon invoicing the customer based on the payment schedule provided in the relevant agreements. Trade receivables are generally due for settlement within one year and therefore are all classified as current. The following table sets forth our trade receivables as of the dates indicated.

| | As of December 31, | | | As of |
|----------------------------------|---------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2018 | 2019 | March 31, 2020 |
| | <i>(RMB in thousands)</i> | | | |
| Trade receivables from contracts | | | | |
| with customers | 7,511 | 17,831 | 24,237 | 24,994 |
| Less: Allowance for impairment | <u>(456)</u> | <u>(1,603)</u> | <u>(3,275)</u> | <u>(4,159)</u> |
| | <u>7,055</u> | <u>16,228</u> | <u>20,962</u> | <u>20,835</u> |

Our trade receivables increased from RMB7.1 million as of December 31, 2017 to RMB16.2 million as of December 31, 2018, and further to RMB21.0 million as of December 31, 2019, and remained relatively stable at RMB20.8 million as of March 31, 2020, primarily due to the increase in our revenues derived from our software licensing, value-added services and implementation services for our ERP solutions over the periods, which was also in line with our overall business growth.

We apply the simplified approach permitted by IFRS 9, which requires the expected lifetime losses to be recognized from initial recognition of the assets. This provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. As of December 31, 2017, 2018 and 2019 and March 31, 2020, our allowance for impairment of trade receivables were RMB0.5 million, RMB1.6 million, RMB3.3 million and RMB4.2 million, respectively.

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We normally allow a credit period of 0 to 30 days to our customers who subscribed for our SaaS products and ERP solutions. Aging analysis of trade receivables based on date of recognition is as follows.

| | As of December 31, | | | As of |
|--------------------|--------------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | March 31, |
| | (RMB in thousands) | | | 2020 |
| Aging | | | | |
| Up to 3 months | 6,011 | 14,229 | 17,489 | 8,231 |
| 3 to 6 months | 166 | 1,353 | 1,043 | 10,815 |
| 6 months to 1 year | 705 | 818 | 926 | 1,058 |
| 1 to 2 years | 629 | 1,232 | 4,217 | 4,430 |
| Over 2 years | – | 199 | 562 | 460 |
| | 7,511 | 17,831 | 24,237 | 24,994 |

The following table sets forth the turnover days of our trade receivables for the periods indicated.

| | For the year ended December 31, | | | For the |
|-------------------|---------------------------------|------|------|--------------|
| | 2017 | 2018 | 2019 | three months |
| | | | | ended |
| | | | | March 31, |
| | | | | 2020 |
| Trade receivables | | | | |
| turnover days | 5 | 5 | 6 | 9 |

Note:

- (1) Trade receivables turnover days for a period equals the average of the opening and closing trade receivables balance divided by revenues for the relevant period and multiplied by the number of days in the relevant period.

Our trade receivable turnover days remained relatively stable at five days, five days and six days in 2017, 2018 and 2019, respectively. Our trade receivable turnover days slightly increased from six days in 2019 to nine days in the first quarter of 2020, primarily due to the temporary disruptions in certain of our customers' business operations caused by the COVID-19 outbreak. We expect our trade receivable turnover days to improve as our customers continue to resume normal operations.

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As of July 31, 2020, RMB16.6 million (unaudited), or 66.4% (unaudited) of our trade receivables outstanding as of March 31, 2020 had been subsequently settled.

The following table sets forth the turnover days for our trade receivables and contract assets, on a combined basis, for the periods indicated.

| | For the year ended December 31, | | | For three months ended |
|---|---------------------------------|------|------|------------------------|
| | 2017 | 2018 | 2019 | March 31, 2020 |
| Turnover days for trade receivables and contract assets | 11 | 10 | 12 | 20 |

Note:

- (1) Turnover days for trade receivables and contract assets for a period equals trade receivables turnover days for the relevant period plus contract assets turnover days for the relevant period.

Turnover days for our trade receivables and contract assets, on a combined basis, remained relatively stable at 11 days, 10 days and 12 days in 2017, 2018 and 2019, respectively, and increased to 20 days in the first quarter of 2020, primarily attributable to the increases in both trade receivables turnover days and contract assets turnover days due to the impact of the COVID-19 outbreak, as discussed in details above.

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Prepayments and other receivables

Prepayments and other receivables primarily consist of (i) prepayments to suppliers, (ii) prepayments for employ benefits, (iii) prepaid listing expenses, (iv) rental and other deposits, and (v) others. Our prepayments and other receivables are partially offset by allowance for impairment of other receivables.

The following table sets forth our prepayments and other receivables as of the dates indicated.

| | As of December 31, | | | As of |
|---|--------------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | March 31, |
| | (RMB in thousands) | | | 2020 |
| Prepayments to suppliers | 3,915 | 4,495 | 6,145 | 13,022 |
| Prepayments for employee benefits | 1,405 | 1,452 | 3,201 | 3,303 |
| Prepaid listing expenses | — | — | 1,281 | 2,440 |
| Prepayments | 5,320 | 5,947 | 10,627 | 18,765 |
| Rental and other deposits | 3,555 | 4,948 | 6,863 | 7,220 |
| Others | 3,550 | 4,427 | 3,451 | 5,962 |
| Less: Allowance for impairment of other receivables | (325) | (530) | (197) | (323) |
| Other receivables – net | 6,780 | 8,845 | 10,117 | 12,859 |
| Total | 12,100 | 14,792 | 20,744 | 31,624 |

Our prepayments and other receivables increased from RMB12.1 million as of December 31, 2017 to RMB14.8 million as of December 31, 2018, primarily due to the increase in rental and other deposits, which was attributable to our increased leased properties.

Our prepayments and receivables increased from RMB14.8 million as of December 31, 2018 to RMB20.7 million as of December 31, 2019, primarily due to the increases in (i) rental and other deposits, which was attributable to our increased leased properties, (ii) prepayments for employee benefits, (iii) prepayments to suppliers and (iv) prepaid listing expenses.

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Our prepayments and receivables increased from RMB20.7 million as of December 31, 2019 to RMB31.6 million as of March 31, 2020, which was primarily attributable the increases in prepayments to suppliers, primarily because we made upfront payments for our leased cloud infrastructure.

As of July 31, 2020, RMB22.3 million (unaudited), or 69.8% (unaudited) of our prepayment and other receivables outstanding as of March 31, 2020 had been subsequently settled.

Liabilities

Lease liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements.

The following table sets forth our lease liabilities as of the dates indicated:

| | As of December 31, | | | As of |
|-------------|--------------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | March 31, |
| | (RMB in thousands) | | | 2020 |
| Current | 8,131 | 17,454 | 20,052 | 21,161 |
| Non-current | 20,206 | 30,572 | 29,175 | 28,506 |
| | <u>28,337</u> | <u>48,026</u> | <u>49,227</u> | <u>49,667</u> |

We recorded lease liabilities of RMB28.3 million, RMB48.0 million, RMB49.2 million, and RMB49.7 million as of December 31, 2017, 2018 and 2019 and March 31, 2020, respectively. The increases in our lease liabilities were primarily attributable to the additional lease agreements we entered into during the Track Record Period.

Trade payables

Our trade payables represent liabilities for products and services provided to us prior to the end of each financial year which are unpaid. Trade payables are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method.

Our trade payables increased from RMB42,000 as of December 31, 2017 to RMB7.3 million as of December 31, 2018, primarily because the trade payables recognized in 2018 were not settled in the same year.

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Our trade payables increased from RMB7.3 million as of December 31, 2018 to RMB23.9 million as of December 31, 2019, primarily driven by the outstanding payments to the suppliers of the smart devices in relation to our *CRM Cloud* (雲客) under relevant purchase agreements as we commenced to sell such smart devices to enhance product functions and improve customer experience in 2019.

Our trade payables decreased from RMB23.9 million as of December 31, 2019 to RMB19.6 million as of March 31, 2020, primarily because we settled certain outstanding payments to the suppliers of outsourcing software services and the smart devices in relation to our *CRM Cloud* (雲客) in January 2020.

The following table sets forth the aging analysis of the trade payables as of the dates indicated.

| | As of December 31, | | | As of |
|----------------|--------------------|--------------|---------------|---------------|
| | 2017 | 2018 | 2019 | March 31, |
| | (RMB in thousands) | | | 2020 |
| Aging | | | | |
| Up to 3 months | 42 | 7,309 | 23,921 | 12,957 |
| 3 to 6 months | — | — | — | 6,675 |
| | <u>42</u> | <u>7,309</u> | <u>23,921</u> | <u>19,632</u> |

As of July 31, 2020, RMB18.6 million (unaudited), or 94.8% (unaudited) our trade payables outstanding as of March 31, 2020 had been settled.

Other payables and accruals

Other payables and accruals primarily consist of (i) accrued payroll and employee benefit expenses, (ii) VAT and surcharges payable, (iii) accrued listing expenses, (iv) operating expenses advanced by employees, (v) commissions payable to regional channel partners, (vi) deposits from regional channel partners, and (vii) others.

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The following table sets forth our other payables and accruals as of the dates indicated.

| | As of December 31, | | | As of |
|--|--------------------|----------------|----------------|----------------|
| | 2017 | 2018 | 2019 | March 31, |
| | (RMB in thousands) | | | 2020 |
| Accrued payroll and employee benefit expenses | 69,062 | 125,182 | 133,423 | 86,360 |
| VAT and surcharges payable | 11,925 | 18,211 | 23,585 | 17,893 |
| Accrued listing expenses | – | – | 4,822 | 6,379 |
| Operating expenses advanced by employees | 1,334 | 9,501 | 8,152 | 1,784 |
| Commissions payable to regional channel partners | 5,733 | 3,801 | 2,091 | 1,730 |
| Deposits from regional channel partners | 1,139 | 1,406 | 1,455 | 1,456 |
| Others | 6,047 | 5,099 | 5,147 | 4,213 |
| | 95,240 | 163,200 | 178,675 | 119,815 |

Our other payables and accruals increased by 71.4% from RMB95.2 million in 2017 to RMB163.2 million in 2018, primarily due to the increase in accrued payroll and employee benefit expenses as a result of increases in (i) the number of our employees, from 1,451 in 2017 to 1,956 in 2018, and (ii) salaries paid to our employees, which were in line with the increased number of employees. To a lesser extent, the increase was also attributable to a significant increase in operating expenses advanced by employees, primarily as the operating expenses advanced by our employees incurred in 2017 were settled during the same year while those incurred in 2018 were reimbursed by us in 2019.

Our other payables and accruals further increased to RMB178.7 million in 2019, primarily as a result of the increases in (i) accrued payroll and employee benefit expenses due to our further expanded headcount, and (ii) VAT and surcharges payable, primarily attributable to the prolonged time lag between revenue recognition and the actual VAT payments in 2019.

Our other payables and accruals decreased from RMB178.7 million in 2019 to RMB119.8 million as of March 31, 2020, primarily due to a decrease in accrued payroll and employee benefit expenses as we paid a large amount of bonuses to incentivize our employees in the first quarter of 2020.

As of July 31, 2020, RMB118.2 million (unaudited), or 98.6% (unaudited) of our other payables and accruals as of March 31, 2020 had been settled.

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Contract liabilities

Contract liabilities primarily reflect invoices due or payments received in advance of revenue recognition in relation to subscription of our SaaS products. They are recognized as revenues upon transfer of control to our customers of the promised products and services and do not involve any cash outflow.

Our contract liabilities increased from RMB180.6 million as of December 31, 2017 to RMB267.4 million as of December 31, 2018, and further to RMB396.1 million as of December 31, 2019, which was generally in line with the overall growth of our SaaS business during these periods.

Our contract liabilities decreased from RMB396.1 million as of December 31, 2019 to RMB354.4 million as of March 31, 2020, primarily because we had recorded additional revenues for our SaaS products as we delivered more products and services to our customers in the first quarter of 2020.

Convertible Redeemable Preferred Shares

On October 25, 2019, our Company has entered into subscription agreement with two Pre-IPO Investors, namely Profitech Investments and Glodon. For further details of the identity and background of the Pre-IPO Investors, and the principal terms of the Pre-IPO Investments, see “History, Reorganization and Corporate Structure – Pre-IPO Investments”.

As the Pre-IPO Investors were granted the right to require our Company to redeem all or a portion of the shares they held if the Listing is not consummated on or prior to December 31, 2022, the equity investment by these Pre-IPO Investors are recognized as convertible redeemable preferred shares in our consolidated statements of financial position. As of December 31, 2017, 2018 and 2019 and March 31, 2020, we recorded convertible redeemable preferred shares of nil, nil, RMB313.9 million and RMB327.9 million, respectively. In addition, we recorded fair value losses of convertible redeemable preferred shares in connection with such liability in our consolidated statements of comprehensive income with references to the valuation report, amounting to nil, nil, nil, nil and RMB9.0 million, respectively, for the years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2019 and 2020. These amounts were also credited to our consolidated statements of financial position and thus resulted in increased balance of such liability. Therefore, these fair value changes will have no impact on our cash position or capital resources if the Listing is consummated on or prior to December 31, 2022. Upon the Listing and the conversion of such convertible redeemable preferred shares into our ordinary shares, such liability will be derecognized and accounted for as an increase in share capital and share premium.

For further information regarding the convertible redeemable preferred shares including the redemption features, see Note 31 to the Accountant’s Report in Appendix I to this prospectus for details.

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LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from our business operations, bank borrowings, and shareholder equity contributions. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations, the net proceeds from the Global Offering, and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB50.2 million, RMB447.9 million, RMB732.2 million and RMB708.7 million as of December 31, 2017, 2018, and 2019 and March 31, 2020, respectively.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

| | For the year ended December 31, | | | For the three months ended March 31, | |
|--|---------------------------------|-----------|----------|--------------------------------------|-----------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | <i>(unaudited)</i> | |
| | | | | <i>(RMB in thousands)</i> | |
| Operating cash flows before movement in working capital | 115,001 | 182,838 | 254,898 | 11,599 | 25,040 |
| Cash flows from operating activities | | | | | |
| Cash generated from/ (used in) operations | 210,029 | 298,249 | 350,197 | (75,273) | (99,607) |
| Interest received | 130 | 121 | 184 | 71 | 471 |
| Income taxes paid | (7,371) | (13,800) | (11,509) | (3,725) | (5,129) |
| Net cash generated from/(used in) operating activities | 202,788 | 284,570 | 338,872 | (78,927) | (104,265) |
| Net cash (used in)/ generated from investing activities | (137,596) | 334,118 | (82,667) | (351,281) | 87,451 |
| Net cash (used in)/ generated from financing activities | (35,947) | (220,931) | 29,500 | (4,510) | (6,442) |
| Net increase/(decrease) in cash and cash equivalents | 29,245 | 397,757 | 285,705 | (434,718) | (23,256) |

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| | For the year ended December 31, | | | For the three months | |
|---|---------------------------------|---------|---------|----------------------|--------------------|
| | 2017 | 2018 | 2019 | ended March 31, | 2020 |
| | | | | 2019 | |
| | | | | (unaudited) | |
| | | | | | (RMB in thousands) |
| Cash and cash equivalents at beginning of the year/(period) | 20,920 | 50,165 | 447,922 | 447,922 | 732,207 |
| Effects of exchange rate changes on cash and cash equivalents | — | — | (1,420) | — | (251) |
| Cash and cash equivalent at end of the year/(period) | 50,165 | 447,922 | 732,207 | 13,204 | 708,700 |

Net Cash Generated from/(Used in) Operating Activities

Net cash generated from operating activities represent cash generated from operations plus interest received and minus income tax paid. Cash generated from operations primarily reflects (i) our profit or loss before tax adjusted for non-cash and non-operating items, such as depreciation and amortization, and (ii) the effects of changes in our working capital.

We recorded net cash used in operating activities of RMB78.9 million and RMB104.3 million for the three months ended March 31, 2019 and 2020, respectively, as compared to net cash generated from operating activities of RMB202.8 million, RMB284.6 million and RMB338.9 million in 2017, 2018 and 2019, respectively. We have historically used more cash in our operating activities in the first quarter of a given year due to, in addition to the seasonality effects in our revenues, lump-sum payments of employee bonus and benefits that were typically made at the beginning of the year. See “Risk Factors – Risk Relating to Our Business and Industry – Our Operating Results are Subject to Seasonal Fluctuations” for details. Our cash flow position typically improves over the rest of the year when our customers commence procurement of our software solutions after their prolonged internal process and revenues from such customers ramp up accordingly. In the meantime, we also enhance our cash flow position through continuous efforts to collect payments and receivables, accelerate delivery of our software solutions and relevant prescribed services, and advance the progress of our projects with our customers.

For the three months ended March 31, 2020, net cash used in operating activities was RMB104.3 million, which was primarily attributable to our profit before income tax of RMB16.0 million, as adjusted by (i) non-cash items, which primarily comprised fair value changes on financial liabilities at fair value through profit or loss of RMB9.0 million, depreciation of right-of-use assets of RMB6.0 million, income from wealth management

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products of RMB4.7 million and fair value gains on financial assets at fair value through profit or loss of RMB6.2 million, and (ii) changes in working capital, which primarily comprised of (a) a decrease in other payables and accruals of RMB57.6 million primarily due to a decrease in accrued payroll and employee benefit expenses as we paid a large amount of employee bonuses in the first quarter of 2020, which was in line with our regular bonus payment cycles, and (b) a decrease in contract liabilities of RMB41.7 million, primarily because we had recorded additional revenues for our SaaS products as we delivered more products and services to our customers in the first quarter of 2020.

For 2019, net cash generated from operating activities was RMB338.9 million, which was primarily attributable to our profit before income tax of RMB242.4 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of right-of-use assets of RMB21.4 million and income from wealth management product of RMB15.4 million, and (ii) changes in working capital, which primarily comprised of (a) an increase in contract liabilities of RMB128.7 million, which was generally in line with the overall growth of our SaaS business during these periods, (b) an increase in contract acquisition costs of RMB43.2 million as we continued to deepen cooperation with our regional channel partners to increase our presence in regional market.

For 2018, net cash generated from operating activities was RMB284.6 million, which was primarily attributable to our profit before income tax of RMB178.4 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of right-of-use assets of RMB16.0 million income from wealth management product of RMB16.7 million and fair value gains on financial assets at fair value through profit or loss of RMB6.1 million, and (ii) changes in working capital, which primarily comprised of (a) an increase in contract liabilities of RMB86.9 million, which was generally in line with the overall growth of our SaaS business during these periods, (b) an increase in other payables and accruals of RMB69.2 million, primarily due to the increase in accrued payroll and employee benefit expenses and a significant increase in operating expenses advanced by employees, primarily as the operating expenses advanced by our employees incurred in 2017 were settled during the same year while those incurred in 2018 were reimbursed by us in 2019, and (c) an increase in contract acquisition costs of RMB29.2 million primarily attributable to the increased customers for our SaaS products that we acquired through our regional channel partners for sales of our SaaS products over the years as we continued to deepen cooperation with our regional channel partners to increase our presence in regional market.

For 2017, net cash generated from operating activities was RMB202.8 million, which was primarily attributable to our profit before income tax of RMB83.3 million, as adjusted by (i) non-cash items, which primarily comprised of share-based compensation of RMB19.4 million and depreciation of right-of-use assets of RMB12.5 million and income from wealth management product of RMB8.4 million; and (ii) changes in working capital, which primarily comprised (a) an increase in contract liabilities of RMB74.2 million, which was generally in line with the overall growth of our business, (b) an increase in other payables and accruals of RMB32.8 million primarily due to the increase in accrued payroll and employee benefit expenses, and (c) an increase in contract acquisition costs of RMB13.5 million primarily

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attributable to the increased customers for our SaaS products that we acquired through our regional channel partners for sales of our SaaS products over the years as we continued to deepen cooperation with our regional channel partners to increase our presence in regional market.

Net Cash (Used in)/Generated from Investing Activities

Our cash used in investing activities consists primarily of purchase of property, plant and equipment, purchase of intangible assets, purchase of financial assets at fair value through profit or loss, purchase of investments accounted for using the equity method. Our cash generated from investing activities consists primarily of proceeds from disposal of property, plant and equipment, proceeds from disposal of financial assets at fair value through profit or loss, and proceeds from disposal of investments accounted for using the equity method.

For the three months ended March 31, 2020, net cash generated from investing activities was RMB87.5 million, which was primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB778.0 million, and was partially offset by payments for purchase of financial assets at fair value through profit or loss of RMB688.0 million.

For 2019, net cash used in investing activities was RMB82.7 million, which was primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB2,489.9 million, and was partially offset by payments for purchase of financial assets at fair value through profit or loss of RMB2,570.4 million.

For 2018, net cash generated investing activities was RMB334.1 million, which was primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB2,088.8 million, and was partially offset by payments for purchase of financial assets at fair value through profit or loss of RMB1,755.8 million.

For 2017, net cash used in investing activities was RMB137.6 million, which was primarily attributable to payments for purchase of financial assets at fair value through profit or loss of RMB1,845.9 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB1,711.1 million.

Net Cash (Used in)/Generated from Financing Activities

Our cash from financing activities consists primarily of capital injection from the then shareholders of a subsidiary, proceeds from bank borrowings, transactions with non-controlling interests, capital injection by non-controlling shareholders and proceeds from convertible redeemable preferred shares. Our cash used in financing activities consists primarily of repayments of bank borrowings, dividend paid to the then shareholders, deemed distributions paid to the shareholders of our Company, dividend paid to the holders of financial liabilities at fair value through profit or loss, repayments for financial liabilities through profit or loss, principal elements of lease payments, listing expenses paid as financing activities and interest paid.

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For the three months ended March 31, 2020, net cash used in our financing activities was RMB6.4 million, which was primarily attributable to principal elements of lease payments of RMB5.4 million.

For 2019, net cash generated from our financing activities was RMB29.5 million, which was primarily attributable to proceeds from convertible redeemable preferred shares of RMB313.9 million, and was partially offset by deemed distributions paid to the shareholders of our Company of RMB266.4 million.

For 2018, net cash used in our financing activities was RMB220.9 million, which was primarily attributable to our dividend payment to Ming Yuan Cloud Technology of RMB206.4 million.

For 2017, net cash used in our financing activities was RMB35.9 million, which was primarily attributable to our dividend payment to Ming Yuan Cloud Technology of RMB32.5 million, principle elements of lease payments of RMB12.2 million and repayments for financial liabilities at fair value through profit or loss of RMB11.9 million, and was partially offset by capital injection from shareholders of a subsidiary of RMB22.5 million.

INDEBTEDNESS

As of the Latest Practicable Date, we did not have any banking facilities.

Lease Liabilities

The following table sets forth our lease liabilities as of the dates indicated:

| | As of December 31, | | | As of | As of |
|--------------|--------------------|---------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | March 31, | July 31, |
| | (RMB in thousands) | | | 2020 | 2020 |
| | | | | (unaudited) | |
| Current | 8,131 | 17,454 | 20,052 | 21,161 | 18,148 |
| Non-current | 20,206 | 30,572 | 29,175 | 28,506 | 21,379 |
| Total | 28,337 | 48,026 | 49,227 | 49,667 | 39,527 |

Convertible Redeemable Preferred Shares

As of December 31, 2019, the convertible redeemable preferred shares had fair values of RMB313,929,000. As of March 31, 2020, the convertible redeemable preferred shares had fair values of RMB327,905,000. For further information regarding the convertible redeemable preferred shares, see Note 31 to the Accountant's Report in Appendix I to this prospectus for details. Since March 31, 2020 and up to July 31, 2020, our Company has not issued or repurchased any convertible redeemable preferred shares.

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CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2017, 2018, and 2019, March 31, 2020 and July 31, 2020, respectively.

Except as disclosed above, as of July 31, 2020, being the indebtedness date for the purpose of the indebtedness statement, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since July 31, 2020 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated.

| | For the year ended December 31, | | | For the three months ended March 31, | |
|------------------------------|---------------------------------|---------|--------|--------------------------------------|--------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | <i>(unaudited)</i> | |
| Total revenue growth | N/A | 57.5% | 38.5% | N/A | 30.3% |
| <i>SaaS products</i> | N/A | 83.5% | 54.8% | N/A | 66.5% |
| <i>ERP solutions</i> | N/A | 45.8% | 29.2% | N/A | 6.1% |
| Net margin | 12.6% | 17.9% | 18.3% | 3.5% | 5.8% |
| <i>SaaS products</i> | (28.4%) | (13.8%) | (8.2%) | (23.1%) | (6.1%) |
| <i>ERP solutions</i> | 36.4% | 34.7% | 36.2% | 20.0% | 22.3% |
| Non-IFRS adjusted | | | | | |
| EBITDA margin | 21.5% | 22.1% | 21.9% | 7.3% | 14.2% |
| Non-IFRS adjusted net | | | | | |
| margin | 16.6% | 17.9% | 18.7% | 3.5% | 10.5% |

We recorded increases in our adjusted net margin during the Track Record Period primarily due to improvement in overall operating efficiency. As our business continues to scale, we have achieved improved economies of scale and cost efficiency in general. In particular, our general and administrative expenses as a percentage of revenue significantly decreased from 14.3% in 2017 to 8.6% in 2019, primarily because we managed to streamline our daily operations by enhancing our centralized management structure, optimizing corporate functions, and applying a variety of technologies and tools at our workplace. Similarly, our research and development expenses as a percentage of revenue decreased from 27.0% in 2017 to 22.7% in 2019 as the technology foundation that we successfully built through significant investment allowed us to conduct subsequent R&D activities in a more cost-effective manner. For details, see “– Description of Major Components of Our Results of Operations.”

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CAPITAL EXPENDITURES

Our historical capital expenditures primarily included purchase of property and equipment and intangible assets. The following table sets forth our capital expenditures for the periods indicated.

| | For the year ended December 31, | | | For the three months ended March 31, | |
|---|---------------------------------|--------------|---------------|--------------------------------------|--------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | (unaudited) | |
| | | | | (RMB in thousands) | |
| Purchase of property, plant and equipment | 10,445 | 9,107 | 16,043 | 2,709 | 7,182 |
| Purchase of intangible assets | 608 | 811 | 1,481 | – | 77 |
| Total | 11,053 | 9,918 | 17,524 | 2,709 | 7,259 |

CONTRACTUAL OBLIGATIONS

Capital Commitments

We mainly have 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 of December 31, | | | As of |
|---------------------------|--------------------|------|--------|--------------------|
| | 2017 | 2018 | 2019 | March 31, 2020 |
| | | | | (RMB in thousands) |
| Assets under construction | – | – | 37,618 | 30,835 |

Operating Lease Commitments

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

| | As of December 31, | | | As of |
|-----------------|--------------------|------|------|--------------------|
| | 2017 | 2018 | 2019 | March 31, 2020 |
| | | | | (RMB in thousands) |
| Within one year | 292 | – | 691 | 502 |

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RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 34 to the Accountant's Report included in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on our financial performance.

Market Risk

Foreign exchange risk

Our businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. During the Track Record Period, we have not entered into any derivative instruments to hedge its foreign exchange exposures.

Our management considers that the business is not exposed to any significant foreign exchange risk for the years ended December 31, 2017, 2018 and 2019 as there are no significant financial assets or liabilities of us are denominated in the currencies other than the respective functional currencies of our entities.

As of December 31, 2019, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the period ended 31 December 2019 would have been approximately RMB666,000 higher/lower.

As of March 31, 2020, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the period ended 31 March 2020 would have been approximately nil higher/lower.

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Fair value interest rate risk

We have no significant variable interest-bearing assets or liabilities except for the bank balances, of which the interest rates are not expected to change significantly.

Credit Risk

We are exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, contractual cash flows of debt instruments carried at amortized cost and at fair value through profit or loss, as well as trade and other receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

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

For trade and other receivables and contract assets, we have policies in place to ensure that sale of product and service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our management reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and contract assets represent our maximum exposure to credit risk in relation to financial assets.

Our investment in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Liquidity Risk

To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the senior management to finance our operations and mitigate the effects of fluctuations in cash flows.

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For an analysis of our financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date, see Note 3 to the Accountant's Report included in Appendix I to this prospectus.

| | Less than 1 year | Between 1 and 2 years <i>(RMB in thousands)</i> | Between 2 and 5 years | Total |
|--|---------------------|--|-----------------------------|----------------|
| At December 31, 2017 | | | | |
| Trade payables | 42 | – | – | 42 |
| Other payables and accruals (excluding salary and staff welfare payables and taxes payable) | 14,253 | – | – | 14,253 |
| Lease liabilities | 10,093 | 7,944 | 13,544 | 31,581 |
| | 24,388 | 7,944 | 13,544 | 45,876 |
| At December 31, 2018 | | | | |
| Trade payables | 7,309 | – | – | 7,309 |
| Other payables and accruals (excluding salary and staff welfare payables and taxes payable) | 19,807 | – | – | 19,807 |
| Lease liabilities | 19,340 | 15,582 | 16,714 | 51,636 |
| | 46,456 | 15,582 | 16,714 | 78,752 |
| At December 31, 2019 | | | | |
| Trade payables | 23,921 | – | – | 23,921 |
| Other payables and accruals (excluding salary and staff welfare payables and taxes payable) | 21,667 | – | – | 21,667 |
| Lease liabilities | 21,762 | 16,585 | 14,207 | 52,554 |
| Convertible redeemable preferred shares | 313,929 | – | – | 313,929 |
| | 381,279 | 16,585 | 14,207 | 412,071 |

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| | Less than 1 year | Between 1 and 2 years <i>(RMB in thousands)</i> | Between 2 and 5 years | Total |
|--|---------------------|--|-----------------------------|----------------|
| At March 31, 2020 | | | | |
| Trade payables | 19,632 | – | – | 19,632 |
| Other payables and accruals (excluding salary and staff welfare payables and taxes payable) | 15,562 | – | – | 15,562 |
| Lease liabilities | 22,735 | 18,652 | 10,969 | 52,356 |
| Convertible redeemable preferred shares | 327,905 | – | – | 327,905 |
| | <u>385,834</u> | <u>18,652</u> | <u>10,969</u> | <u>415,455</u> |

DIVIDENDS

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

No dividends have been paid or declared by our Company since its incorporation. Ming Yuan Cloud Technology, a subsidiary of our Company, had paid dividends of RMB32,528,000, RMB206,434,000, nil, nil and nil to its then shareholders for the years ended 31 December 2017, 2018 and 2019 and for the three months ended March 31, 2019 and 2020. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

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WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the estimated net proceeds from the Global Offering and the expected cash generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

As of March 31, 2020, the Company did not have any distributable reserves.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions, and other fees incurred in connection with the Global Offering. The estimated total listing expenses (based on the mid-point of the Offer Price range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB227.4 million (equivalent to approximately HK\$257.9 million, accounting for approximately 4.4% of our gross proceeds. Approximately RMB191.7 million (equivalent to approximately HK\$217.4 million) of the estimated listing expenses is directly attributable to the issue of new Shares to the public and will be account for as a deduction from equity upon completion of the Global Offering. The remaining estimated listing expenses of approximately RMB35.7 million (equivalent to approximately HK\$40.5 million) was or will be charged to profit or loss, of which, nil, nil, approximately RMB4.3 million (equivalent to approximately HK\$4.8 million) and approximately RMB2.8 million (equivalent to approximately HK\$3.2 million) were charged in the years ended 31 December 2017, 2018, 2019 and three months ended March 31, 2020 respectively. Approximately RMB28.6 million (equivalent to approximately HK\$32.4 million) is expected to be charged in profit or loss before or upon completion of the Global Offering. This calculation is subject to adjustment based on the actual amount incurred or to be incurred.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2020, being the end date of our latest audited financial statements, and there has been no event since March 31, 2020 that would materially affect the information shown in the Accountant's Report set out in Appendix I.

COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS

Industry Background

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China has imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. As of the Latest Practicable Date, most Chinese cities had eased or lifted travel restrictions and resumed work and production.

According to Frost & Sullivan, the COVID-19 outbreak affected the real estate value chain in China in various ways. The COVID-19 outbreak had delayed the property development and sales operations of property developers across China due to a number of factors such as the overall reduced economic activities, lockdowns, closure of work places and transportation and travel restrictions, which in turn affected the short-term budgets and financial planning of such property developers and other industry participants along the real estate value chain.

As a result of various lockdown restrictions during the COVID-19 outbreak that substantially limited various offline activities traditionally conducted by property developers and other industry participants, it is expected that the COVID-19 outbreak is likely to further accelerate the digitalization process of the real estate industry in China, which presents additional market opportunities for software solution providers like us. To cope with the various travel restrictions and remote working arrangements during the COVID-19 outbreak, many property developers in China have been shifting from traditional offline to online marketing through intelligent SaaS products to drive sales. In addition, construction materials suppliers and other service vendors have also been increasingly relying on online channels to participate in procurement processes organized by property developers. Last but not least, property asset management companies are becoming more focused on digitalizing their asset portfolio management and strengthening their risk management to navigate uncertainties associated with macroeconomic conditions.

Impacts of the COVID-19 Outbreak on Our Business

To varying degrees, our business operations, including both of our ERP and SaaS businesses, had been affected by the COVID-19 outbreak, as discussed in more details below. Due to the nationwide lockdowns across China during the COVID-19 outbreak, certain of our marketing activities and customer services had been temporarily delayed to the extent that physical meetings with our customers or large-scale onsite services were otherwise required or preferred. Despite the temporary disruptions, based on the knowledge of our Directors, as of the Latest Practicable Date, there had not been any cancellation of any of our major ongoing projects due to our failure to deliver our services in time as a result of the COVID-19 outbreak.

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Since the COVID-19 outbreak, we have been mobilizing internal resources and leveraging our extensive sales network and strong technological capabilities to advance the temporarily delayed projects, secure new orders from our customers and address their rising demands, especially those faced with operational challenges as a result of the COVID-19 outbreak. As of the Latest Practicable Date, our Directors believe that our financial performance, continuing business operation, sustainability, and its expansion plan had not been materially and adversely affected by the COVID-19 outbreak. See “Financial Information – Period to Period Comparison of Results of Operations – Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019” for a detailed discussion of our financial performance during the COVID-19 outbreak. The COVID-19 outbreak peaked in February 2020 in China and the social and market conditions have substantially improved since late March 2020 when the COVID-19 outbreak was substantially under control. Despite the recent isolated new cases in certain cities in China, our normal operations have not been interrupted in any material respect. The growth of both our SaaS and ERP businesses re-accelerated in the second quarter of 2020. For a discussion of our financial performance for the first half of 2020, see “– Recent Development.” Based on these factors, we do not expect to experience any material adverse impact on our long-term business prospect as a result of the COVID-19 outbreak.

Impacts on our ERP business

- *Software licensing.* During the COVID-19 outbreak, software licensing of our ERP solutions had been temporarily affected by the COVID-19 outbreak to the extent physical meetings were required to secure the initial engagement for certain large-scale ERP projects due to the temporary nationwide lockdown. In addition, the uncertainties caused by the COVID-19 outbreak had led to prolonged decision-making process of property developers with respect to procurement of software solutions. Accordingly, certain of our prospective ERP projects under discussion with our customers had been canceled, postponed or split into multiple purchases with an extended procurement cycle, which led to delays in revenue recognition.
- *Implementation services.* Due to the lockdown restrictions temporarily imposed in certain cities in China where our customers and regional channel partners are located, the provision of our on-premise implementation services for a limited number of projects had been delayed to the extent large-scale onsite services of our employees or our regional channel partners were required.
- *Product support services and value-added services.* As we deliver most of our product support services and value-added services through our cloud infrastructure, the lockdown restrictions that affect business operations across China had not resulted in any material adverse impact on the delivery of product support services and value-added services to our customers.

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Although our ERP business had temporarily been affected to varying degrees by the COVID-19 outbreak, we nonetheless managed to achieve revenue growth with respect to our ERP solutions in the first half of 2020. Revenues generated from our ERP solutions increased by 17.9% from RMB286.2 million for the six months ended June 30, 2019 to RMB337.3 million for the six months ended June 30, 2020, mainly due to increasing demand for our ERP solutions in the second quarter post the COVID-19 outbreak and increases in revenues derived from our value-added services and implementation services, which were primarily attributable to our expanded ongoing customer service capacity and enhancement of our centralized management and dispatch of technical specialists. See “– Recent Development” for a discussion of our financial performance for the first half of 2020.

Impacts on our SaaS business

Leveraging the digital and cloud nature of our SaaS products, we deliver implementation and support services to customers of our SaaS business remotely online. As our SaaS business allows our end customers including property developers, construction materials suppliers and other real estate industry participants to address pandemic-related challenges by facilitating their business operations and interactions while minimizing or eliminating the need for direct person-to-person contact, our SaaS products had experienced greater demands during the COVID-19 outbreak.

For example, we upgraded our virtual reality property tour function on our *CRM Cloud* (雲客) product which allows property developers and agents to showcase their property listings and provide their customers with a more immersive experience. This has led to a substantial increase in revenue contributions from our *CRM Cloud* (雲客) in the first quarter of 2020 compared to the same period in 2019. In addition, we have launched a construction site epidemic prevention product within our *Construction Cloud* (雲鏈) product, which enables property developers and their construction contractors to track and monitor the epidemic prevention efforts undertaken by construction sites in real time.

Impacts on our operations in Wuhan, China

We operate a research and development center (the “**Wuhan R&D Center**”) located in Wuhan, China, where we had 1,013 full-time employees as of the Latest Practicable Date. The Wuhan R&D Center primarily engages in product development, product support services and value-added services, among others. During the COVID-19 outbreak, the city of Wuhan had been under a complete lockdown from late January 2020 to early April 2020 with stringent restrictions on mobility and travel in an effort to curb the spread of the virus. Nevertheless, we have been able to substantially minimize disruptions to the operation of the Wuhan R&D Center by leveraging our cloud-based technology infrastructure, increased server and data processing capacity, and remote working arrangements for our staff. To this end, we preemptively took multiple steps to strengthen our remote working capabilities in advance of the citywide lockdown in Wuhan. For example, we purchased additional data services to enhance the data processing capacity and stability of our cloud infrastructure, which had

FINANCIAL INFORMATION

contributed to the improved operational efficiency during the lockdown. During the lockdown, we had been capable of conducting most of our product development activities online and serving our customers remotely out of the Wuhan R&D Center. Since April 2020 and as of the Latest Practicable Date, our Wuhan R&D Center had fully resumed normal operations.

We currently rely on one regional channel partner to promote and sell our ERP solutions and SaaS products in Wuhan and the Hubei province. In the first quarter of 2020, revenues generated from this regional channel partner only accounted for approximately 1.5% of our total revenues. As such, disruptions to this regional channel partner's sales and marketing activities during the lockdown period had not caused any material adverse impact on our results of operations as a whole. As of the Latest Practicable Date, based on the knowledge of our Directors, such regional channel partner had resumed normal operations.

Based on the following assumptions, the Directors are of the view that we will remain financially viable for approximately 29 months, with the Company's cash and cash equivalents on hand as of March 31, 2020 and 10% of the expected net proceeds received from the Global Offering to be used for working capital and general corporate purposes, assuming: (i) the Global Offering is priced at HK\$15.00, the low end of the Offer Price range, and the over-allotment option is not exercised; (ii) no revenue is generated since March 31, 2020; (iii) net cash outflows of settlement of trade receivables and settlement of trade payables based on historical payment cycles; (iv) major operating expenses include lease rental, salaries and staff costs to be paid in cash; and (v) our labor force is reduced to the minimal level to maintain the essential business functions according to the estimates of the management of our Company, including reduction of salary and staff costs by 50% for the staff responsible for the implementation and delivery of our software solutions, by 50% for our sales and marketing staff, by 20% for our administrative staff, and by 40% for our research and development staff.

Our Remedial Measures

At the very beginning of the COVID-19 outbreak, we formed a special working group led by Mr. Gao Yu (高宇), the Chairman of our Board, which is responsible for designing and overseeing the implementation of our remedial measures. Under the leadership of this special working group, we have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations and customer relationships. Such remedial measures include making timely upgrades to our technology infrastructure to facilitate a seamless remote working environment, leveraging our cloud-based technologies to ensure efficient delivery of our software solutions, and maintaining regular, interactive online communications with our customers and regional channel partners.

FINANCIAL INFORMATION

We have adopted flexible remote working arrangements based on the varying situations in different cities in China during the COVID-19 outbreak. In addition, we have also implemented various precautionary policies to ensure the safety of our employees working remotely or onsite, which have enabled us to carry out our business operations without any material disruption. In line with government guidelines, we have closely tracked the health status of our employees and we routinely check their body temperature before they enter our offices. To practice social distancing, we divided our Wuhan-based employees into groups and required them to perform onsite work in turns if necessary. We plan to continue to these remedial measures and may implement additional measures as necessary to ease the impact of the COVID-19 outbreak on our business operations.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

See the section headed “Business – Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised):

| | |
|---|------------------------|
| Assuming an Offer Price of HK\$15.75 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) | HK\$5,635.9 million |
| Assuming an Offer Price of HK\$16.50 per Offer Share (being the high end of the Offer Price range stated in this prospectus) | HK\$5,906.7 million |
| Assuming an Offer Price of HK\$15.00 per Offer Share (being the low end of the Offer Price range stated in this prospectus) | HK\$5,365.0 million |

We intend to use the net proceeds as follows (based on the mid-point of the Offer Price range stated in this prospectus):

- approximately 30%, or HK\$1,690.8 million, will be used over the next one to five years to further upgrade and enhance the functionalities and features of our existing SaaS products, with a goal to address more diversified business scenarios and continuously improve the user experience of such SaaS products, including:
 - (i) approximately 18%, or HK\$1,014.5 million, will be used over the next one to three years to hire and train approximately 350 more high-quality IT specialists, technology architects, software developers and examiners, as well as SaaS product managers to roll out new tools and functions and upgrade the performance and user experience of each of our existing four SaaS products, namely *CRM Cloud* (雲客), *Construction Cloud* (雲鏈), *Procurement Cloud* (雲採購) and *Asset Management Cloud* (雲空間);
 - (ii) approximately 6%, or HK\$338.2 million, will be used over the next one to three years to purchase from qualified suppliers advanced equipment, infrastructure and applications, such as cloud servers (ECS and RDS), MaxComputers, data analytical databases (ADB) and other IT services such as information security and privacy, to upgrade the service capacity, scalability and adaptability of the underlying IT platform and data infrastructure that supports our SaaS products;

FUTURE PLANS AND USE OF PROCEEDS

- (iii) approximately 6%, or HK\$338.2 million, will be used over the next one to five years to invest in product development, through hiring and training of approximately 130 more high-quality IT specialists, technology architects, software developers and examiners, and SaaS product managers, to introduce new SaaS products to cover more business and application scenarios of property developers and other industry participants along the value chain;

Historically, the number of research and development staff, including but not limited to such IT specialists, technology architects, software developers and examiners and product managers devoted to the development of our SaaS products totaled 264, 347, 477 and 520 in 2017, 2018 and 2019 and the first quarter of 2020. We plan to increase our headcount for such research and development staff during the course of next three to five years in order to support our fast-growing SaaS business. As our SaaS products are still at an early development stage, we believe such investment is indispensable to rapidly increase our presence. Specifically, we intend to hire more research and development staff to accelerate technology and product innovations to adapt our SaaS products to more business scenarios and innovate new SaaS products to address the evolving business need of property developers and other industry participants along the value chain.

- approximately 20%, or HK\$1,127.2 million, will be used over the next one to five years to enhance research and development efforts in cutting-edge technologies such as AIoT, data analytics and virtual reality, including:
 - (i) approximately 8%, or HK\$450.9 million, will be used over the next one to five years to develop our proprietary key fundamental technologies that support product innovation in both our ERP solutions and SaaS products, including AIoT, PaaS-related technologies and big data analytics. Our efforts include, but are not limited to, (i) recruiting approximately 100 more product managers, big data development engineers and algorithm experts that are specialized in AIoT, PaaS-related technologies and big data analytics, and (ii) enhancing the IT infrastructure that supports such technologies, such as AIoT hardware equipment, cloud servers and other database services;
 - (ii) approximately 12%, or HK\$676.3 million, will be used over the next one to five years to develop our own technology infrastructure that will enhance the seamless integration capabilities of our cloud-based ERP solutions and SaaS products, including a low-code application platform and an intelligent big data platform. Towards this goal, we intend to recruit approximately 170 more product managers, development engineers and platform architects that are experienced in developing low-code application platforms and intelligent big data platforms, and enhance the IT infrastructure that supports such technologies, such as cloud servers, big data computing services and information security and privacy services;

FUTURE PLANS AND USE OF PROCEEDS

Historically, such research and development staff are deployed from our ERP and SaaS business on a project basis. With the launch of the cloud version of our ERP solutions and the increasing demand for the application of new technologies such as AIoT, we plan to hire and form a separate team of technical and research professionals dedicated to the development and application of key fundamental technologies and infrastructure with a view to (i) innovating more specific features, functions and products based on such fundamental technologies and infrastructure to drive the long-term, scalable growth of both ERP solutions and SaaS products; and (ii) further improving the integration and achieving greater synergies between our ERP solutions and SaaS products.

- approximately 10%, or HK\$563.6 million, will be used over the next one to three years to further upgrade and enhance the functionalities and features our cloud-based ERP solutions, including:
 - (i) approximately 6%, or HK\$338.2 million, will be used over the next one to two years to enhance our existing product support and value-added service capabilities, through hiring and training approximately 150 more technology professionals with extensive industry experience (mainly including product support architects and software developers), and procuring additional servers to support the product support and value added services of our ERP solutions, to meet customers' growing needs for customized yet cost-effective services;
 - (ii) approximately 4%, or HK\$225.4 million, will be used over the next one to three years to expand our existing ERP modules and functions to cover more internal business and operational processes of property developers. In particular, we intend to hire approximately 110 more IT specialists and product managers and procure additional servers to explore new functions that can help property developers obtain data insights into their daily business operations, such as property investment management and land acquisition and measurement;

Historically, the number of research and development staff, including but not limited to such technology professionals, IT specialists and product managers devoted to the development of our ERP solutions totaled 244, 360, 437 and 474 in 2017, 2018 and 2019 and the first quarter of 2020. We plan to increase our headcount for such research and development staff during the course of next three to five years mainly in the light of the increasing demand for our product support and value-added services with respect to our ERP solutions and also in an effort to maintain our competitive edges by continuously optimizing our ERP solutions.

FUTURE PLANS AND USE OF PROCEEDS

- approximately 10%, or HK\$563.6 million, will be used over the next one to three years to enhance our sales and marketing capabilities and strengthen our brand reputation among China's real estate market participants, including:
 - (i) approximately 3%, or HK\$169.1 million, will be used over the next one to three years to expand, retain and train our direct sales force to solidify our relationship with leading property developers maintain our marketing position in tier-1 cities in China;
 - (ii) approximately 2%, or HK\$112.7 million, will be used over the next one to three years to establish an interactive, knowledge-sharing platform with leading property developers through sponsoring and organizing more industry events and summits in an effort to deepen our relationships with leading property developers in China to increase their spending on our software solutions and drive long-term customer relationships. For example, we intend to organize one national and 15 municipal high-profile summits per year targeting top executives of leading property developers in tier-1 cities in China;
 - (iii) approximately 3%, or HK\$169.1 million, will be used over the next one to three years to enhance our branding and marketing activities to acquire new customers along the real estate value chain, including raw construction materials suppliers and property asset management companies, through sponsoring industry events, engaging in more industry research and studies, as well as enhancing the reputation, expertise and capabilities of our Ming Yuan Real Estate Research Institute. For example, we intend to organize and sponsor approximately 20 industry events per year in relation to cutting-edge technologies along the value chain and digital transformation of the real estate industry in China, with a goal to expand and diversify our customer base, especially for our SaaS products;
 - (iv) approximately 2%, or HK\$112.7 million, will be used over the next one to three years to invest to strengthen and expand our regional channel partner network to further grow our customer base in regional markets in China. We intend to collaborate with more regional channel partners to expand our geographic reach and strengthen our presence in regional markets. In addition, we aim to conduct more joint sales and marketing activities with our regional channel partners to explore potential opportunities in the property asset management market;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 20%, or HK\$1,127.2 million, will be used to selectively pursue strategic investments and acquisitions that we believe will allow us to expand our existing SaaS product offerings, enhance our technology capabilities, and acquire customers in selected markets, with a goal to complement our organic business growth and fulfill our mission to intelligize the real estate value chain. As of the Latest Practicable Date, we had not entered into any binding commitment, whether oral or written, for any business or asset acquisitions; and
- the remaining approximately 10%, or HK\$563.6 million, will be used for working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range.

To the extent our net proceeds are either more or less than expected, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds into short-term demand deposits with banks or authorized financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of approximately HK\$853.0 million for 56,130,000 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK\$15.75 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on pro-rata basis.

UNDERWRITING

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
China Merchants Securities (HK) Co., Limited
Futu Securities International (Hong Kong) Limited
GF Securities (Hong Kong) Brokerage Limited
Haitong International Securities Company Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 37,422,000 Hong Kong Offer Shares and the International Offering of initially 336,782,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on September 14, 2020. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) in their absolute discretion may, by giving notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there develops, occurs, exists or comes into force:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war or emergency or war in Hong Kong, calamity, crisis, epidemic, pandemic, outbreaks of diseases, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, tsunami, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdiction relevant to the Group (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”); and provided that in respect of epidemic, pandemic, large scale outbreaks of diseases, civil commotion, public disorder or hostilities existing at the date of the Hong Kong Underwriting Agreement, the Joint Global Coordinators shall only be entitled to terminate the Hong Kong Underwriting Agreement in accordance with such clause if, in their sole opinion (acting reasonably), there has been a material escalation in such event, or, such event which does not have the effects mentioned under paragraphs (1) – (4) below at the date of the Hong Kong Underwriting Agreement becomes to have any of such effects, after the date of this Agreement;
 - (ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

UNDERWRITING

- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;
- (vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;
- (vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, Euro, the Hong Kong dollar or RMB, against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;
- (viii) other than with the prior written consent of the Joint Global Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, any Application Forms or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;
- (ix) any demand by creditors for repayment of indebtedness or an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

UNDERWRITING

- (x) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or any Director;
- (xi) any contravention by any member of the Group or any Director of any applicable laws and regulations or the Listing Rules;
- (xii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or
- (xiii) any change or prospective change or development, or a materialisation of, any of the risks set out in section headed “Risk Factors”,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (1) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder’s equity, profit, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole;
 - (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;
 - (3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined below); or
 - (4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Global Coordinators that:
- (i) any statement contained in this prospectus, the Application Forms, the formal notice in connection with the Hong Kong Public Offering and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication

UNDERWRITING

pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding information relating to the Underwriters) (the “**Offering Documents**”) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offering Documents;
- (iii) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (iv) there is a material breach of any of the obligations imposed upon the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (v) there is an event, act or omission which gives or is likely to give rise to any liability of the Company or the Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (vi) there is any material adverse change or development or likely to be any prospective material adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profits, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole;
- (vii) the approval of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (viii) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

UNDERWRITING

- (ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- (x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering;
- (xi) any Director or any other member of senior management of the Company is vacating his or her office;
- (xii) any Director or member of senior management of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director in his or her capacity as such or any member of the Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or
- (xiii) there is any order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and our Company that, they will not and will procure that the relevant registered holder(s) will not:

UNDERWRITING

- (i) in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a group of Controlling Shareholders of our Company,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, they will and will procure that the relevant registered holder(s) will:

- (1) when any of them pledges or charges any Shares beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (1) and (2) above (if any) by any of the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

The Company has undertaken to the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters and each of them not to (save for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering including pursuant to any exercise of the Over-Allotment Option) without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless permitted by and in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the six months after the Listing Date (the “**First Six-Month Period**”):

- (a) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of the Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any such transaction described in paragraphs (a), (b) or (c) above is to be settled by delivery of the Shares or other securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the First Six-Month Period).

UNDERWRITING

In the event that, during the period of six months immediately following the First Six-Month Period (the “**Second Six-Month Period**”), the Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company.

(B) Undertakings by the Individual Controlling Shareholders

Each of the Individual Controlling Shareholders has undertaken to the Company, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless permitted by and in compliance with the Listing Rules or pursuant to the Stock Borrowing Agreement, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the 12 months after the Listing Date:

- (a) none of them will, and each of them will procure that the relevant registered holder(s) will not:
 - (i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) beneficially owned by it/her as at the Listing Date (the “**Locked-up Securities**”); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
 - (iv) offer to or contract to or agree to or publicly disclose that any of the Individual Controlling Shareholders will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

UNDERWRITING

in each case, whether any such transaction described in paragraphs (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the 12 months after the Listing Date);

- (b) each of the Individual Controlling Shareholders will, where permitted,:
 - (i) if and when any of them or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by it/him, immediately inform the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) of the Company so pledged or charged; and
 - (ii) if and when it/he or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interests therein) of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications.

The Company has undertaken to the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that upon receiving such information in writing from any of the Individual Controlling Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

UNDERWRITING

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company, the Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering – The International Offering.”

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 56,130,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See “Structure of the Global Offering – Over-allotment Option.”

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay sub-underwriting commissions and other fees (if any).

The Joint Global Coordinators may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares to be issued by our Company under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

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The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$15.75 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK\$206.3 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$257.9 million (assuming an Offer Price of HK\$15.75 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by our Company.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or

UNDERWRITING

listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

374,204,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 37,422,000 Shares (subject to reallocation) in Hong Kong as described in “– The Hong Kong Public Offering” below; and
- (b) the International Offering of initially 336,782,000 Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction note subject to, the registration requirement of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “– The International Offering” below.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 20.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 22.3% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 37,422,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.0% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “– Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

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Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 18,711,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offers Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be approximately 10% of the Global Offering and in the event of over-subscription under the Hong Kong Public Offering, the Joint Global Coordinators (for themselves and on behalf of the Underwriters), shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as follows (the “**Mandatory Reallocation**”):

- (i) 37,422,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 10% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or oversubscribed

- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 36 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 56,132,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering;

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- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 36 times or more but less than 74 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 74,844,000 Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering; and
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 74 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 138,456,000 Shares, representing approximately 37% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters). Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL-91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 10 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK\$15.00 (low-end of the indicative Office Price), up to 37,422,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 74,844,000 Offer Shares, representing twice of the number of the Offer Shares initially available under the Hong Kong Public Offering (before any exercise of the Over-allotment Option).

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Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$16.50 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$16,666.28 for one board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in “– Pricing and Allocation” below, is less than the Maximum Offer Price of HK\$16.50 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares.”

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an initial offering of 336,782,000 new Shares offered by our Company, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 18.0% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “– Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of

STRUCTURE OF THE GLOBAL OFFERING

the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in “– The Hong Kong Public Offering – Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 56,130,000 additional Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.00% of the total Shares in issue immediately following the completion of the Global Offering before any exercise of the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Sunday, October 18, 2020, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 56,130,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from GHTongRui Investment Limited, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or any person acting for it) and GHTongRui Investment Limited on or about the Price Determination Date.

The same number of Shares so borrowed must be returned to GHTongRui Investment Limited or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full.

STRUCTURE OF THE GLOBAL OFFERING

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to GHTongRui Investment Limited by the Stabilizing Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, September 18, 2020 and, in any event, no later than Monday, September 21, 2020, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$16.50 per Offer Share and is expected to be not less than HK\$15.00 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK\$16.50 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$16,666.28 for one board lot of 1,000 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Minimum Offer Price stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company and the Controlling Shareholders, reduce the number of Offer Shares offered and/or the Offer Price Range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at www.mingyuanyun.com and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price Range.

STRUCTURE OF THE GLOBAL OFFERING

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares – 11. Publication of Results.”

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the Offer Price having been agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Monday, September 21, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at www.mingyuanyun.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares – Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, September 25, 2020, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, September 25, 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, September 25, 2020.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 909.

HOW TO APPLY FOR HONG KONG OFFER SHARES

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators, as our Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participating in the International Offering.

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, September 15, 2020 until 12:00 noon on Friday, September 18, 2020 from:

- (a) the following office of a Hong Kong Underwriter:

China International Capital Corporation
Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

- (b) any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

| | Branch Name | Address |
|-------------------------|----------------------------|--|
| Hong Kong Island | Bank of China Tower Branch | 1 Garden Road, Hong Kong |
| Kowloon | Tsim Sha Tsui Branch | 24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon |
| New Territories | Ma On Shan Plaza Branch | Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories |
| | Kwai Cheong Road Branch | 40 Kwai Cheong Road, Kwai Chung, New Territories |

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, September 15, 2020 until 12:00 noon on Friday, September 18, 2020 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – MING YUAN CLOUD GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above at the following times:

Tuesday, September 15, 2020 – 9:00 a.m. to 4:00 p.m.
Wednesday, September 16, 2020 – 9:00 a.m. to 4:00 p.m.
Thursday, September 17, 2020 – 9:00 a.m. to 4:00 p.m.
Friday, September 18, 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, September 18, 2020, the last day for applications, or such later time as described in "– 10. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Memorandum and Articles of Association of our Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Law;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- (f) agree that none of our Company, the Relevant Persons and the White Form eIPO Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (h) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither our Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (o) authorize (i) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Memorandum and Articles of Association of our Company and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “– Personal Collection” below to collect the Share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in “– Who Can Apply” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, September 15, 2020 until 11:30 a.m. on Friday, September 18, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, September 18, 2020, the last day for applications, or such later time as described in “– 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of the White Form eIPO is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, the designated White Form eIPO Service Provider, will contribute HK\$2 for each “Ming Yuan Cloud Group Holdings Limited” White Form eIPO application submitted via the website www.eipo.com.hk to support sustainability.

6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre 1/F,
One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
 - *(if the electronic application instructions are given for your benefit)* declare that only one set of **electronic application instructions** has been given for your benefit;
 - *(if you are an agent for another person)* declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
 - confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- authorize our Company to place HKSCC Nominees' name on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that neither our Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by our Company;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of our Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Law; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

| | |
|--------------------------------------|----------------------------------|
| Tuesday, September 15, 2020 | – 9:00 a.m. to 8:30 p.m. |
| Wednesday, September 16, 2020 | – 8:00 a.m. to 8:30 p.m. |
| Thursday, September 17, 2020 | – 8:00 a.m. to 8:30 p.m. |
| Friday, September 18, 2020 | – 8:00 a.m. to 12:00 noon |

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, September 15, 2020 until 12:00 noon on Friday, September 18, 2020 (24 hours daily, except on Friday, September 18, 2020, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, September 18, 2020, the last day for applications, or such later time as described in “– 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. Our Company, the Relevant Persons and the White Form eIPO Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, September 18, 2020, the last day for applications, or such later time as described in “– 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees”, you must include:

- an account number; or
- some other identification code.

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. How Much Are the Hong Kong Offer Shares

The Maximum Offer Price is HK\$16.50 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Hong Kong Offer Shares, you will pay HK\$16,666.28.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering – Pricing and Allocation.”

10. Effect of Bad Weather on the Opening and Closing of the Application Lists

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 18, 2020. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, September 18, 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

11. Publication of Results

Our Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Thursday, September 24, 2020 on the websites of our Company at www.mingyuanyun.com and the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of our Company and the Stock Exchange at www.mingyuanyun.com and www.hkexnews.hk, respectively, by no later than Thursday, September 24, 2020;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Thursday, September 24, 2020 to 12:00 midnight on Wednesday, September 30, 2020;
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, September 24, 2020 to Tuesday, September 29, 2020 on a business day (excluding Saturday, Sunday and public holidays); and
- in the special allocation results booklets which will be available for inspection during the opening hours of the receiving bank designated branches referred to above from Thursday, September 24, 2020 to Saturday, September 26, 2020.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. Circumstances in which You will Not be Allocated Hong Kong Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), 2020 in the following circumstances:

- (i) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- (ii) if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- you apply for more than 18,711,000 Hong Kong Offer Shares, being 50% of the 37,422,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

13. Refund of Application Monies

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in “Structure of the Global Offering – Conditions of the Global Offering” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, September 24, 2020.

14. Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Cheques

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on despatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Thursday, September 24, 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, September 25, 2020, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, September 24, 2020, or any other place or date notified by our Company in the newspapers.
- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be despatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Thursday, September 24, 2020 by ordinary post and at your own risk.

*(b) If you apply using a **YELLOW** Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above for collecting your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Thursday, September 24, 2020 by ordinary post and at your own risk.
- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Thursday, September 24, 2020 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.
- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.
- If you apply as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Thursday, September 24, 2020 in the manner as described in "– 11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, September 24, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(c) If you apply through White Form eIPO service:

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, September 24, 2020, or any other place or date notified by our Company in the newspapers as the date of despatch or collection of Share certificates.
- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, September 24, 2020 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) If you apply by giving electronic application instructions to HKSCC via CCASS:

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, September 24, 2020 or on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in “– 11. Publication of Results” above on Thursday, September 24, 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, September 24, 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, September 24, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, September 24, 2020.

15. Admission of the Shares into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MING YUAN CLOUD GROUP HOLDINGS LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED

Introduction

We report on the historical financial information of Ming Yuan Cloud Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-98, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 31 March 2020, and the Company's statements of financial position as at 31 December 2019 and 31 March 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-98 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 15 September 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2019 and 31 March 2020 and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and 31 March 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Notes 1.3 and 2.1 to the Historical Financial

Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our 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*” issued by the International Auditing and Assurance Standards Board (“IAASB”). A review 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid by Ming Yuan Cloud Group Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

15 September 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000), unless otherwise stated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | Year ended 31 December | | | Three months ended 31 March | |
|--|--------|------------------------|------------------|------------------|--------------------------------|-----------------|
| | Note | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | | (Unaudited) | |
| Revenues | 6 | 579,608 | 912,795 | 1,263,969 | 194,838 | 253,790 |
| Cost of sales | 7 | <u>(119,323)</u> | <u>(177,115)</u> | <u>(269,400)</u> | <u>(50,776)</u> | <u>(60,456)</u> |
| Gross profit | | 460,285 | 735,680 | 994,569 | 144,062 | 193,334 |
| Selling and marketing expenses | 7 | (194,461) | (342,242) | (441,124) | (69,850) | (102,337) |
| General and administrative expenses | 7 | (82,988) | (80,063) | (108,391) | (16,872) | (24,193) |
| Research and development expenses | 7 | (156,720) | (218,120) | (286,326) | (56,081) | (64,501) |
| Net impairment losses on financial assets and contract assets | 3.1(b) | (491) | (4,041) | (2,139) | (1,999) | (2,758) |
| Other income | 8 | 61,427 | 83,088 | 82,953 | 7,209 | 17,952 |
| Other gains, net | 9 | <u>1,540</u> | <u>5,997</u> | <u>4,549</u> | <u>1,530</u> | <u>7,526</u> |
| Operating profit | | 88,592 | 180,299 | 244,091 | 7,999 | 25,023 |
| Finance income | 11 | 130 | 121 | 184 | 71 | 471 |
| Finance costs | 11 | <u>(3,593)</u> | <u>(2,028)</u> | <u>(1,897)</u> | <u>(465)</u> | <u>(528)</u> |
| Finance costs, net | | (3,463) | (1,907) | (1,713) | (394) | (57) |

| | | Year ended 31 December | | | Three months ended 31 March | |
|--|-------|------------------------|----------------|----------------|--------------------------------|---------------|
| | Note | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | | (Unaudited) | |
| Net losses upon financial liabilities at | | | | | | |
| FVPL transferred to equity | 25(b) | (1,847) | – | – | – | – |
| Fair value changes of convertible | | | | | | |
| redeemable preferred shares | 31 | – | – | – | – | (8,987) |
| | | | | | | |
| Profit before income tax | | 83,282 | 178,392 | 242,378 | 7,605 | 15,979 |
| Income tax expense | 12 | (10,480) | (15,358) | (10,729) | (722) | (1,262) |
| | | | | | | |
| Profit for the year/period | | <u>72,802</u> | <u>163,034</u> | <u>231,649</u> | <u>6,883</u> | <u>14,717</u> |
| | | | | | | |
| Profit/(loss) attributable to: | | | | | | |
| Owners of the Company | | 73,151 | 157,132 | 216,421 | 5,438 | 10,055 |
| Non-controlling interests | | (349) | 5,902 | 15,228 | 1,445 | 4,662 |
| | | | | | | |
| | | <u>72,802</u> | <u>163,034</u> | <u>231,649</u> | <u>6,883</u> | <u>14,717</u> |
| | | | | | | |
| Earnings per share for profit | | | | | | |
| attributable to owners of the | | | | | | |
| Company (expressed in RMB | | | | | | |
| per share) | | | | | | |
| Basic | 13 | 0.0549 | 0.1180 | 0.1625 | 0.0041 | 0.0075 |
| Diluted | 13 | 0.0549 | 0.1180 | 0.1605 | 0.0041 | 0.0075 |

| | <i>Note</i> | Year ended 31 December | | | Three months ended | |
|---|-------------|------------------------|-----------------------|-----------------------|---------------------|---------------------|
| | | 2017 | 2018 | 2019 | 31 March | 2020 |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | | (Unaudited) | |
| Profit for the year/period | | <u>72,802</u> | <u>163,034</u> | <u>231,649</u> | <u>6,883</u> | <u>14,717</u> |
| Other comprehensive income/(loss), net of tax | | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | | |
| Currency translation differences | | – | – | 510 | – | (4,241) |
| Changes in fair value of financial assets at fair value through other comprehensive income/(loss), net of tax | 25 | <u>7,442</u> | <u>4,195</u> | <u>5,066</u> | <u>416</u> | <u>(6,028)</u> |
| Total comprehensive income for the year/period | | <u><u>80,244</u></u> | <u><u>167,229</u></u> | <u><u>237,225</u></u> | <u><u>7,299</u></u> | <u><u>4,448</u></u> |
| Total comprehensive income/(loss) attributable to: | | | | | | |
| Owners of the Company | | 80,593 | 161,327 | 221,997 | 5,854 | (214) |
| Non-controlling interests | | <u>(349)</u> | <u>5,902</u> | <u>15,228</u> | <u>1,445</u> | <u>4,662</u> |
| | | <u><u>80,244</u></u> | <u><u>167,229</u></u> | <u><u>237,225</u></u> | <u><u>7,299</u></u> | <u><u>4,448</u></u> |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | As at 31 December | | | As at |
|---|------|-----------------------|-----------------------|-------------------------|-------------------------|
| | Note | 2017 | 2018 | 2019 | 31 March |
| | | RMB'000 | RMB'000 | RMB'000 | 2020 |
| | | | | | RMB'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 15 | 106,759 | 110,072 | 118,283 | 123,275 |
| Right-of-use assets | 16 | 35,679 | 52,170 | 50,864 | 50,625 |
| Intangible assets | 17 | 1,204 | 1,363 | 2,077 | 1,952 |
| Investments accounted for using the equity method | 18 | 256 | 233 | – | – |
| Financial assets at fair value through profit or loss | 20 | 23,299 | 41,350 | 36,163 | 42,348 |
| Financial assets at fair value through other comprehensive income | 21 | 15,893 | 26,554 | 32,183 | 25,485 |
| Contract acquisition costs | 6 | 100 | 465 | 731 | 914 |
| Prepayments and other receivables | 22 | 1,452 | 3,890 | 5,034 | 4,170 |
| Deferred income tax assets | 28 | 401 | 687 | 865 | 905 |
| Total non-current assets | | <u>185,043</u> | <u>236,784</u> | <u>246,200</u> | <u>249,674</u> |
| Current assets | | | | | |
| Inventories | | 39 | 242 | 281 | 466 |
| Contract assets | 6 | 10,105 | 12,477 | 25,090 | 34,045 |
| Contract acquisition costs | 6 | 31,434 | 60,257 | 103,182 | 101,959 |
| Trade receivables | 22 | 7,055 | 16,228 | 20,962 | 20,835 |
| Prepayments and other receivables | 22 | 10,648 | 10,902 | 15,710 | 27,454 |
| Income tax recoverable | | 2,751 | 1,151 | 308 | 5,437 |
| Financial assets at fair value through profit or loss | 20 | 345,342 | – | 90,000 | – |
| Restricted cash | 23 | 876 | 779 | 748 | 748 |
| Cash and cash equivalents | 23 | 50,165 | 447,922 | 732,207 | 708,700 |
| Total current assets | | <u>458,415</u> | <u>549,958</u> | <u>988,488</u> | <u>899,644</u> |
| Total assets | | <u><u>643,458</u></u> | <u><u>786,742</u></u> | <u><u>1,234,688</u></u> | <u><u>1,149,318</u></u> |
| EQUITY | | | | | |
| Share capital | 24 | – | – | 107 | 124 |
| Treasury shares | 24 | – | – | – | (7) |
| Reserves | 25 | 175,603 | 242,148 | 12,694 | 2,425 |
| Retained earnings | 26 | 172,060 | 60,408 | 253,684 | 263,739 |
| | | 347,663 | 302,556 | 266,485 | 266,281 |
| Non-controlling interests | | (10,461) | (4,559) | 4,467 | 9,129 |
| Total equity | | <u><u>337,202</u></u> | <u><u>297,997</u></u> | <u><u>270,952</u></u> | <u><u>275,410</u></u> |

| | | As at 31 December | | | As at 31 March |
|---|------|-------------------|----------------|------------------|-------------------|
| | Note | 2017 | 2018 | 2019 | 2020 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Contract liabilities | 6 | 12,637 | 15,733 | 18,396 | 16,164 |
| Lease liabilities | 16 | 20,206 | 30,572 | 29,175 | 28,506 |
| Deferred income tax liabilities | 28 | 946 | 2,629 | 1,514 | 1,184 |
| Total non-current liabilities | | <u>33,789</u> | <u>48,934</u> | <u>49,085</u> | <u>45,854</u> |
| Current liabilities | | | | | |
| Trade payables | 29 | 42 | 7,309 | 23,921 | 19,632 |
| Other payables and accruals | 30 | 95,240 | 163,200 | 178,675 | 119,815 |
| Contract liabilities | 6 | 167,931 | 251,699 | 377,692 | 338,197 |
| Current income tax liabilities | | 1,123 | 149 | 382 | 1,344 |
| Lease liabilities | 16 | 8,131 | 17,454 | 20,052 | 21,161 |
| Convertible redeemable preferred shares | 31 | — | — | 313,929 | 327,905 |
| Total current liabilities | | <u>272,467</u> | <u>439,811</u> | <u>914,651</u> | <u>828,054</u> |
| Total liabilities | | <u>306,256</u> | <u>488,745</u> | <u>963,736</u> | <u>873,908</u> |
| Total equity and liabilities | | <u>643,458</u> | <u>786,742</u> | <u>1,234,688</u> | <u>1,149,318</u> |

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | | As at 31 December 2019 RMB'000 | As at 31 March 2020 RMB'000 |
|---|-------|---|--------------------------------------|
| | Note | | |
| ASSETS | | | |
| Non-current assets | | | |
| Interests in subsidiaries | 35(1) | 284,424 | 289,761 |
| Total non-current assets | | 284,424 | 289,761 |
| Current assets | | | |
| Prepayments and other receivables | | 1,281 | 2,440 |
| Cash and cash equivalents | 35(2) | 110,779 | 112,093 |
| Total current assets | | 112,060 | 114,533 |
| Total assets | | 396,484 | 404,294 |
| EQUITY | | | |
| Share capital | 24 | 107 | 124 |
| Treasury shares | 24 | – | (7) |
| Reserves | | (103) | (278) |
| Accumulated losses | | (3,227) | (14,406) |
| Total equity | | (3,223) | (14,567) |
| LIABILITIES | | | |
| Current liabilities | | | |
| Other payables | 35(3) | 85,778 | 90,956 |
| Convertible redeemable preferred shares | 31 | 313,929 | 327,905 |
| Total current liabilities | | 399,707 | 418,861 |
| Total liabilities | | 399,707 | 418,861 |
| Total equity and liabilities | | 396,484 | 404,294 |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | Non- | Total equity |
|--|--------------------|---------------------------------------|----------|-------------------|----------|-----------------------|--------------|
| | | Share capital | Reserves | Retained earnings | Total | controlling interests | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2017 | | – | 56,272 | 133,746 | 190,018 | (4,787) | 185,231 |
| Profit/(loss) for the year | | – | – | 73,151 | 73,151 | (349) | 72,802 |
| Changes in fair value of financial assets at fair value through other comprehensive income, net of tax | 25 | – | 7,442 | – | 7,442 | – | 7,442 |
| Total comprehensive income/(loss) for the year | | – | 7,442 | 73,151 | 80,593 | (349) | 80,244 |
| Transactions with owners: | | | | | | | |
| Capital injection from the then shareholders of a subsidiary | 25(a) | – | 33,105 | – | 33,105 | – | 33,105 |
| Dividend distribution to the then shareholders of a subsidiary | 14 | – | – | (32,528) | (32,528) | – | (32,528) |
| Transaction with non-controlling interests | 1.2 (v)(vi), 18(a) | – | 8,185 | – | 8,185 | (5,325) | 2,860 |
| Transfer from financial liabilities at fair value through profit or loss to equity | 25(b) | – | 48,871 | – | 48,871 | – | 48,871 |
| Appropriation for statutory surplus reserve | 25(d) | – | 2,309 | (2,309) | – | – | – |
| Share-based compensation reserve | 27 | – | 19,419 | – | 19,419 | – | 19,419 |
| Total transactions with owners of the Company | | – | 111,889 | (34,837) | 77,052 | (5,325) | 71,727 |
| As at 31 December 2017 | | – | 175,603 | 172,060 | 347,663 | (10,461) | 337,202 |

| | <i>Note</i> | Attributable to owners of the Company | | | | Non- | Total equity |
|--|-------------|---------------------------------------|----------------|-------------------|----------------|-----------------------|----------------|
| | | Share capital | Reserves | Retained earnings | Total | controlling interests | |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| As at 1 January 2018 | | – | 175,603 | 172,060 | 347,663 | (10,461) | 337,202 |
| Profit for the year | | – | – | 157,132 | 157,132 | 5,902 | 163,034 |
| Changes in fair value of financial assets at fair value through other comprehensive income, net of tax | 25 | – | 4,195 | – | 4,195 | – | 4,195 |
| Total comprehensive income for the year | | – | 4,195 | 157,132 | 161,327 | 5,902 | 167,229 |
| Transactions with owners: | | | | | | | |
| Dividend distribution to the then shareholders of a subsidiary | 14 | – | – | (206,434) | (206,434) | – | (206,434) |
| Appropriation for statutory surplus reserve | 25(d) | – | 17,955 | (17,955) | – | – | – |
| Bonus issue to the then shareholders of a subsidiary | 25(c) | – | 44,395 | (44,395) | – | – | – |
| Total transactions with owners of the Company | | – | 62,350 | (268,784) | (206,434) | – | (206,434) |
| As at 31 December 2018 | | – | 242,148 | 60,408 | 302,556 | (4,559) | 297,997 |

| | <i>Note</i> | Attributable to owners of the Company | | | | Non- | Total equity |
|--|-------------|---------------------------------------|----------------|-------------------|----------------|-----------------------|----------------|
| | | Share capital | Reserves | Retained earnings | Total | controlling interests | |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| As at 1 January 2019 | | – | 242,148 | 60,408 | 302,556 | (4,559) | 297,997 |
| Profit for the year | | – | – | 216,421 | 216,421 | 15,228 | 231,649 |
| Changes in fair value of financial assets at fair value through other comprehensive income, net of tax | 25 | – | 5,066 | – | 5,066 | – | 5,066 |
| Currency translation differences | | – | 510 | – | 510 | – | 510 |
| Total comprehensive income for the year | | – | 5,576 | 216,421 | 221,997 | 15,228 | 237,225 |
| Transactions with owners: | | | | | | | |
| Shares issued pursuant to the reorganisation | 24 | 107 | (107) | – | – | – | – |
| Transaction with non-controlling interests | 1.2(vi) | – | 8,302 | – | 8,302 | (6,302) | 2,000 |
| Appropriation for statutory surplus reserve | 25(d) | – | 23,145 | (23,145) | – | – | – |
| Capital injection by non-controlling shareholders | 1.2(vii) | – | – | – | – | 100 | 100 |
| Deemed distributions to the shareholders of the Company | 1.2(3)(b) | – | (266,370) | – | (266,370) | – | (266,370) |
| Total transactions with owners of the Company | | 107 | (235,030) | (23,145) | (258,068) | (6,202) | (264,270) |
| As at 31 December 2019 | | 107 | 12,694 | 253,684 | 266,485 | 4,467 | 270,952 |

| | <i>Note</i> | Attributable to owners of the Company | | | | Non- | Total equity |
|--|-------------|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | Share | Reserves | Retained | Total | controlling | |
| | | capital | | earnings | | interests | |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| (Unaudited) | | | | | | | |
| As at 1 January 2019 | | – | 242,148 | 60,408 | 302,556 | (4,559) | 297,997 |
| Profit for the period | | – | – | 5,438 | 5,438 | 1,445 | 6,883 |
| Changes in fair value of financial assets at fair value through other comprehensive income, net of tax | 25 | – | 416 | – | 416 | – | 416 |
| Total comprehensive income for the period | | – | 416 | 5,438 | 5,854 | 1,445 | 7,299 |
| As at 31 March 2019 | | – | 242,564 | 65,846 | 308,410 | (3,114) | 305,296 |

| Attributable to owners of the Company | | | | | | | | |
|--|-------|---------------|-----------------|----------|-------------------|---------|---------------------------|--------------|
| | | Share capital | Treasury shares | Reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| | Note | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2020 | | 107 | – | 12,694 | 253,684 | 266,485 | 4,467 | 270,952 |
| Profit for the period | | – | – | – | 10,055 | 10,055 | 4,662 | 14,717 |
| Changes in fair value of financial assets at fair value through other comprehensive loss, net of tax | 25 | – | – | (6,028) | – | (6,028) | – | (6,028) |
| Currency translation differences | | – | – | (4,241) | – | (4,241) | – | (4,241) |
| Total comprehensive (loss)/income for the period | | – | – | (10,269) | 10,055 | (214) | 4,662 | 4,448 |
| Transactions with owners: | | | | | | | | |
| Issuance of ordinary shares | 24(d) | 17 | – | – | – | 17 | – | 17 |
| Treasury shares | 24(d) | – | (7) | – | – | (7) | – | (7) |
| Total transactions with owners of the Company | | 17 | (7) | – | – | 10 | – | 10 |
| As at 31 March 2020 | | 124 | (7) | 2,425 | 263,739 | 266,281 | 9,129 | 275,410 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | <i>Note</i> | Year ended 31 December | | | Three months ended 31 March | |
|--|-------------|------------------------|-------------|-------------|--------------------------------|-----------|
| | | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | | (Unaudited) | |
| Cash flows from operating activities | | | | | | |
| Cash generated from/(used in) operations | 32 | 210,029 | 298,249 | 350,197 | (75,273) | (99,607) |
| Interest received | | 130 | 121 | 184 | 71 | 471 |
| Income taxes paid | | (7,371) | (13,800) | (11,509) | (3,725) | (5,129) |
| Net cash generated from/(used in) operating activities | | 202,788 | 284,570 | 338,872 | (78,927) | (104,265) |
| Cash flows from investing activities | | | | | | |
| Payments for purchase of property, plant and equipment | | (10,445) | (9,107) | (16,043) | (2,709) | (7,182) |
| Proceeds from disposal of property, plant and equipment | | 97 | – | – | – | – |
| Payments for purchase of intangible assets | | (608) | (811) | (1,481) | – | (77) |
| Payments for purchase of financial assets at fair value through profit or loss-wealth management products | | (1,844,260) | (1,743,820) | (2,550,640) | (1,082,840) | (688,030) |
| Payments for purchase of financial assets at fair value through profit or loss-unlisted equity securities and redeemable preferred shares | | (1,600) | (12,000) | (19,800) | – | – |
| Payments for purchase of financial assets at fair value through other comprehensive income | | – | (6,000) | – | – | – |
| Proceeds from disposal of financial assets at fair value through profit or loss-wealth management products | | 1,711,148 | 2,088,820 | 2,460,640 | 733,510 | 778,030 |
| Proceeds from disposal of financial assets at fair value through profit or loss-unlisted equity securities and redeemable preferred shares | | – | – | 29,262 | – | – |
| Proceeds from income of financial assets at fair value through profit or loss-wealth management products | | 8,072 | 17,036 | 15,395 | 758 | 4,710 |
| Net cash (used in)/generated from investing activities | | (137,596) | 334,118 | (82,667) | (351,281) | 87,451 |

| | <i>Note</i> | Year ended 31 December | | | Three months ended 31 March | |
|--|-------------------|------------------------|------------------------|------------------------|-----------------------------|------------------------|
| | | 2017 <i>RMB'000</i> | 2018 <i>RMB'000</i> | 2019 <i>RMB'000</i> | 2019 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
| | | | | | (Unaudited) | |
| Cash flows from financing activities | | | | | | |
| Capital injection from the then shareholders of a subsidiary | 25(a) | 22,543 | – | – | – | – |
| Capital injection from shareholders of the Company | 24(d) | – | – | – | – | 10 |
| Proceeds from bank borrowings | | – | 80,000 | – | – | – |
| Repayments of bank borrowings | | – | (80,000) | – | – | – |
| Transactions with non-controlling interests | 1.2(v)(vi), 18 | 1,668 | 363 | 2,733 | – | 46 |
| Capital injection by non-controlling shareholders | 1.2(vii) | – | – | 100 | – | – |
| Dividend paid to the then shareholders of a subsidiary | 14 | (32,528) | (206,434) | – | – | – |
| Deemed distributions paid to the shareholders of the Company | 1.2(3)(b) | – | – | (266,370) | – | – |
| Dividend paid to the holders of financial liabilities at fair value through profit or loss | 25(b) | (2,191) | – | – | – | – |
| Proceeds from convertible redeemable preferred shares | 31 | – | – | 313,929 | – | – |
| Repayments for financial liabilities at fair value through profit or loss | 1.2(viii) | (11,860) | – | – | – | – |
| Principal elements of lease payments | | (12,177) | (12,832) | (18,920) | (4,045) | (5,360) |
| Listing expenses paid as financing activities | | – | – | (75) | – | (610) |
| Interest paid | | (1,402) | (2,028) | (1,897) | (465) | (528) |
| Net cash (used in)/generated from financing activities | | (35,947) | (220,931) | 29,500 | (4,510) | (6,442) |
| Net increase/(decrease) in cash and cash equivalents | | 29,245 | 397,757 | 285,705 | (434,718) | (23,256) |
| Cash and cash equivalents at beginning of the year/period | | 20,920 | 50,165 | 447,922 | 447,922 | 732,207 |
| Effects of exchange rate changes on cash and cash equivalents | | – | – | (1,420) | – | (251) |
| Cash and cash equivalents at the end of the year/period | 23 | <u>50,165</u> | <u>447,922</u> | <u>732,207</u> | <u>13,204</u> | <u>708,700</u> |

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 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 Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of enterprise-grade Enterprise resource planning (“ERP”) solutions and Software as a service (“SaaS”) products 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 “Listing Business”).

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the “Reorganisation”), the Listing Business was mainly carried out by Shenzhen Mingyuan Cloud Technology Limited (深圳市明源雲科技有限公司, “Ming Yuan Cloud Technology”), previously known as “Shenzhen Ming Yuan Software Co., Ltd” (深圳市明源軟件股份有限公司), a limited liability company established in Shenzhen, the PRC, and its subsidiaries (the “PRC Operating Entities”).

In preparation for the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”), the Group underwent the Reorganisation to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the Listing Business.

Pursuant to the Reorganisation, the then equity owners of Ming Yuan Cloud Technology immediately before the Reorganisation subscribed for the equity interests of the Company at Hong Kong dollars (“HKD”) 0.001 per share (either in the form of ordinary shares or warrants mentioned below) based on their respective equity interests percentage in Ming Yuan Cloud Technology, and then the Company purchased the 100% equity interests of Ming Yuan Cloud Technology through its wholly owned subsidiary established in the PRC.

Certain financing transactions between the Company and new institutional investors were also conducted in the same timeframe as the Reorganisation. However, these new financing transactions did not cause a change in control of the Company and the PRC Operating Entities before and after the Reorganisation and therefore the Reorganisation was accounted for as a recapitalisation of the Listing Business with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

The Reorganisation involved the following steps:

(1) Incorporation of the Company and offshore subsidiaries

On 3 July 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and with an authorised share capital of HKD380,000 divided into 380,000,000 ordinary shares of HKD0.001 each. On the same day, 39,552,360, 29,664,480, 18,682,660, 4,832,100, 12,856,280, 10,552,320, 1,980,000 and 3,870,000 ordinary shares were allotted and issued to GHTongRui Investment Limited (ultimately and wholly owned by Mr. Gao Yu), HengXinYuan Investment Limited (ultimately and wholly owned by Mr. Chen Xiaohui), LINGFAN Investment Limited (ultimately and wholly owned by Mr. Jiang Haiyang), JIABAOSZ Investment Limited (ultimately and wholly owned by Mr. Yao Wu), MYC United Power Investment Holdings Limited, MYC Brilliant Alliance Investment Holdings Limited, MYC Prosperity Investment Holdings Limited and MYC Blooming Success Investment Holdings Limited, respectively, which all were the then equity owners of Ming Yuan Cloud Technology before the Reorganisation.

On 10 July 2019, Ming Yuan Cloud Investment Limited (“Ming Yuan Cloud Investment”) was incorporated in the British Virgin Islands (the “BVI”) as a limited liability company. On the same day, 1 ordinary share was allotted and issued to the Company. Upon completion of the share allotment and issuance, Ming Yuan Cloud Investment became a direct wholly-owned subsidiary of the Company.

On 22 July 2019, Polaris Cloud Technology Limited (北極星雲科技有限公司, "Polaris Cloud") was incorporated in Hong Kong as a limited liability company. On the same day, 10,000 ordinary shares were allotted and issued to Ming Yuan Cloud Investment. Upon completion of the shares allotment and issuance, Polaris Cloud became a direct wholly-owned subsidiary of Ming Yuan Cloud Investment.

(2) Establishment of Shenzhen Northern Lights Cloud Technology Co., Ltd

On 6 September 2019, Polaris Cloud established Shenzhen Northern Lights Cloud Technology Co., Ltd. (深圳市北極光雲科技有限公司, "Northern Lights Cloud") under the laws of the PRC as its wholly-owned foreign enterprise in the PRC. Polaris Cloud contributed capital of United States dollars ("USD") 26,800,000 (equivalent to RMB188,028,000) to Northern Lights Cloud.

(3) Acquisition of Ming Yuan Cloud Technology and transactions with certain institutional investors (PROFITECH INVESTMENTS LIMITED and Glodon (Hongkong) Software Limited)

- (a) On 11 July 2019, Ming Yuan Cloud Technology increased its registered capital from RMB133,185,000 to RMB140,195,000. The increment represented 5% equity interests in Ming Yuan Cloud Technology and was subscribed by Viscount Dazzle Limited ("Viscount Dazzle") at a cash consideration of USD2,121,000 (equivalent to approximately RMB14,797,000) which was settled on 23 September 2019. Viscount Dazzle was a company incorporated in Hong Kong which was wholly owned by EARL DAZZLE LIMITED ("Earl Dazzle"). Earl Dazzle was a direct wholly-owned subsidiary of PROFITECH INVESTMENTS LIMITED ("Profitech Investments").
- (b) On 9 October 2019, Northern Lights Cloud acquired 95% equity interests in Ming Yuan Cloud Technology from the then equity owners except Viscount Dazzle at a cash consideration of RMB266,370,000. The consideration was settled on 2 December 2019. This transaction was accounted for as a deemed distribution to the then shareholders of Ming Yuan Cloud Technology.

At the same time and as part of the aforesaid acquisition of 95% equity interests in Ming Yuan Cloud Technology, the Company granted 11,194,800 warrants to Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)), Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)) and Shenzhen Dachen Caizhi Venture Capital Investment Management Limited (深圳市達晨財智創業投資管理有限公司) ("Dachen Entities"), which were then equity owners of Ming Yuan Cloud Technology before Reorganisation but yet to subscribe the relevant shares of the Company, at nil consideration. The warrants entitled Dachen Entities or their designated affiliate to subscribe for 11,194,800 ordinary shares of the Company at a consideration of HKD0.001 per share.

On 30 March 2020, upon exercise of the warrants, the Company allotted and issued 11,194,800 ordinary shares to Beijing Chenchuang Management Consultation Center (Limited Partnership) (北京宸創管理諮詢中心(有限合夥)), "Beijing Chenchuang", which was the affiliate of the Dachen Entities and was designated by them to subscribe for their relevant interests in the Company. Immediately after the issuance, Beijing Chenchuang held approximately 7.87% of the share capital of the Company.

- (c) On 25 October 2019, the Company issued 7,009,737 Series A convertible redeemable preferred shares (the "Series A Preferred Shares") to Profitech Investments at a consideration of USD35,000,000 (equivalent to approximately RMB244,167,000), which were accounted for as financial liabilities at fair value through profit or loss. Further details of the Series A Preferred Shares are set out in Note 31.
- (d) On 30 October 2019, the Company acquired the entire equity interest in Earl Dazzle from Profitech Investments at a consideration of USD2,121,000, which was offset against the consideration payable by Profitech Investments for the Series A Preferred Shares. The remaining balance of USD32,879,000 (equivalent to approximately RMB229,370,000) was settled in cash by Profitech Investments on 19 November 2019.

Transactions (a) to (d) above were considered multiple steps of one transaction which formed a part of the Reorganisation. Therefore Viscount Dazzle was not considered as a non-controlling shareholder of the Group during the transition period from 19 July 2019 to 30 October 2019.

After the completion of (3)(d), the entire equity interest in Ming Yuan Cloud Technology was acquired and the Listing Business was injected into the Company.

On 25 October 2019, the Company also issued 2,002,782 Series A Preferred Shares to Glodon (Hongkong) Software Limited ("Glodon") at a consideration of USD10,000,000 (equivalent to approximately RMB69,762,000), which were accounted for as financial liabilities at fair value through profit or loss. The consideration was settled in 20 December 2019. Further details of the Series A Preferred Shares are set out in Note 31.

(4) Entering into contractual arrangements

On 16 April 2019, Ming Yuan Cloud Technology transferred 36%, 27.2% and 16.8% of its equity interests in Shenzhen Mingyuan Cloud Procurement Technology Limited (深圳市明源雲採購科技有限公司, "Ming Yuan Cloud Procurement") at nominal consideration to Mr. Gao Yu, Mr. Chen Xiaohui and Mr. Jiang Haiyang, respectively. On 16 December 2019, Ming Yuan Cloud Technology entered into various agreements (the "Contractual Arrangements"), which was effective on 16 April 2019 with Ming Yuan Cloud Procurement and its equity holders, under which 80% of the economic benefits arising from the business and operations of Ming Yuan Cloud Procurement were retained by Ming Yuan Cloud Technology. Through the Contractual Arrangements, the Company is able to effectively control the operation and recognise and receive 80% of the economic benefits of Ming Yuan Cloud Procurement. For further details of the Contractual Arrangements, please refer to Note 2.2.1(a).

Upon the completion of the Reorganisation on 30 March 2020, the Company became the holding company of the companies now comprising the Group. As at the date of this report and during the Track Record Period, the Group had direct or indirect interests in the following subsidiaries (including those held on trust):

| | Place and date of incorporation/ establishment and kind of legal entity | Principal activities and place of operation | Registered/ issued capital | Percentage of attributable equity interest | | | | As at the date of this report | Notes |
|----------------------------|--|---|---------------------------------|--|------|---------|----------------|-------------------------------|-------|
| | | | | As at 31 December | | | As at 31 March | | |
| | | | | 2017 | 2018 | 2019 | 2020 | | |
| Directly held: | | | | | | | | | |
| Ming Yuan Cloud Investment | BVI/ 10 July 2019 limited liability company | Investment holding/BVI | USD0.01/ USD0.01 | NA | NA | 100.00% | 100.00% | 100.00% | (ii) |
| Earl Dazzle | BVI/ 20 December 2016 limited liability company | Investment holding/BVI | USD2/USD2 | NA | NA | 100.00% | 100.00% | 100.00% | (ii) |
| Indirectly held: | | | | | | | | | |
| Polaris Cloud | Hong Kong/ 22 July 2019 limited liability company | Investment holding/ Hong Kong | HKD10,000/ HKD10,000 | NA | NA | 100.00% | 100.00% | 100.00% | (ii) |
| Viscount Dazzle | Hong Kong/ 1 February 2017 limited liability company | Investment holding/ Hong Kong | HKD1/HKD1 | NA | NA | 100.00% | 100.00% | 100.00% | (ii) |
| Northern Lights Cloud | PRC/6 September 2019 limited liability company | Investment holding/PRC | USD38,500,000/ USD26,800,000 | NA | NA | 100.00% | 100.00% | 100.00% | (ix) |

APPENDIX I

ACCOUNTANT'S REPORT

| | Place and date of incorporation/ establishment and kind of legal entity | Principal activities and place of operation | Registered/ issued capital | Percentage of attributable equity interest | | | | As at the date of this report | Notes |
|--|--|--|-----------------------------------|--|---------|---------|---------------------------|--|---------------|
| | | | | As at 31 December | | | As at 31 March 2020 | | |
| | | | | 2017 | 2018 | 2019 | | | |
| Ming Yuan Cloud Technology | PRC/27 November 2003 limited liability company | Investment holding, SaaS products and ERP solutions/ PRC | RMB140,194,737/ RMB140,194,737 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | (iii) |
| Indirectly held: | | | | | | | | | |
| Shenzhen Mingyuan Cloud Client Electronic Business Limited (深圳市明源雲客電子商務有限公司, "Ming Yuan Cloud Client") | PRC/30 July 2014 limited liability company | Investment holding and SaaS products/PRC | RMB10,700,000/ RMB10,700,000 | 67.29% | 67.29% | 67.29% | 67.29% | 67.29% | (iii), (v) |
| Shenzhen Zhijian Yinli Hudong Technology Co., Ltd. (深圳市指尖引力互動科技有限公司) | PRC/25 July 2018 limited liability company | SaaS products/ PRC | RMB1,000,000/ RMB1,000,000 | NA | 67.29% | 67.29% | 67.29% | 67.29% | (iv) |
| Ming Yuan Cloud Procurement | PRC/22 April 2014 limited liability company | SaaS products/ PRC | RMB11,111,111/ RMB11,111,111 | 80.00% | 80.00% | 80.00% | 80.00% | 80.00% | (iii), (viii) |
| Shenzhen Mingyuan Cloud Space Electronic Business Limited (深圳市明源雲空間電子商務有限公司, "Ming Yuan Cloud Space") | PRC/6 August 2015 limited liability company | SaaS products/ PRC | RMB10,000,000/ RMB10,000,000 | 100.00% | 100.00% | 80.00% | 80.00% | 80.00% | (iii) |
| Wuhan Mingyuan Power Software Limited (武漢明源動力軟件有限公司, "Wuhan Ming Yuan Power") | PRC/8 April 2008 limited liability company | ERP solutions/ PRC | RMB1,000,000/ RMB1,000,000 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | (iii) |
| Wuhan Mingyuan Excel Information Technology Limited (武漢明源卓越信息技術服務有限公司, "Wuhan Ming Yuan Excel") | PRC/24 November 2010 limited liability company | ERP solutions/ PRC | RMB20,000,000/ RMB20,000,000 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | (iii) |
| Shenzhen Mingyuan Cloud Calculation Limited (深圳市明源雲計算有限公司, "Ming Yuan Cloud Calculation") | PRC/8 March 2016 limited liability company | Investment holding and technology services/PRC | RMB50,000,000/ RMB50,000,000 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | (iii) |

| | Place and date of incorporation/ establishment and kind of legal entity | Principal activities and place of operation | Registered/ issued capital | Percentage of attributable equity interest | | | | As at the date of this report | Notes |
|--|--|---|---------------------------------|--|---------|---------|----------------|-------------------------------|-------------|
| | | | | As at 31 December | | | As at 31 March | | |
| | | | | 2017 | 2018 | 2019 | 2020 | | |
| Shenzhen Mingyuan Cloud Shengshi Investment Partnership (Limited Partnership) (深圳市明源雲盛世投資合夥企業(有限合夥), “Ming Yuan Cloud Shengshi”) | PRC/11 October 2016 limited partnership | Employee stock holding platform/PRC | RMB2,000,000/ RMB2,000,000 | 100.00% | 100.00% | N/A | N/A | N/A | (iii), (vi) |
| Ningbo Meishan Bonded Port Area Mingyuan Shengshi Investment Co. Ltd. (寧波梅山保稅港區明源盛世投資有限公司) | PRC/30 September 2016 limited liability company | Investment holding/PRC | RMB5,000,000/ RMB5,000,000 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | (iii) |
| Wuhan Mingyuan Cloud Technology Limited (武漢明源雲科技有限公司, “Wuhan Ming Yuan Cloud Technology”) | PRC/12 July 2016 limited liability company | ERP solutions/ PRC | RMB20,000,000/ RMB20,000,000 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | (iii) |
| Mingyuan Cloud Technology (Hong Kong) Limited | Hong Kong/ 13 November 2018 limited liability company | Technology services/Hong Kong | USD10,000/ USD10,000 | NA | 100.00% | 100.00% | 100.00% | 100.00% | (ii) |
| 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”) | PRC/12 April 2019 limited liability company | SaaS products/ PRC | RMB11,111,111/ RMB500,000 | NA | NA | 80.00% | 80.00% | 80.00% | (vii) |
| On trust: | | | | | | | | | |
| MYC Marvellous Limited | BVI/ 25 February 2020 limited liability company | Employee stock holding platform/BVI | USD50,000/ USD50,000 | NA | NA | NA | 100.00% | 100.00% | (ii) |

Notes:

- (i) All companies comprising the Group have adopted 31 December as their financial year end date.
- (ii) No statutory audited financial statements were issued for these companies as there is no statutory requirement in their respective places of incorporation.
- (iii) The PRC statutory financial statements of these companies for the years ended 31 December 2017 and 2018 were audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合夥)). The PRC statutory financial statements of these companies for the years ended 31 December 2019 were audited by Shenzhen Zhongzhengyinhe Certified Public Accountants (深圳中正銀合會計師事務所(普通合夥)).

- (iv) Shenzhen Zhijian Yinli Hudong Technology Co., Ltd was established on 25 July 2018. The PRC statutory financial statements of Shenzhen Zhijian Yinli Hudong Technology Co., Ltd for the year ended 31 December 2018 were audited by Baker Tilly China Certified Public Accountants. The PRC statutory financial statements of Shenzhen Zhijian Yinli Hudong Technology Co., Ltd for the year ended 31 December 2019 were audited by Shenzhen Zhongzhengyinhe Certified Public Accountants LLP.

- (v) On 22 March 2017, 1.5% equity interest in Ming Yuan Cloud Client was disposed by the Group to Mr. Yao Wu at a cash consideration of RMB150,000. After the transaction, the Group continues to retain control over Ming Yuan Cloud Client by more than 50% of its voting rights. The difference between the consideration receivable of RMB150,000 and the negative carrying amount of the non-controlling interests of RMB254,000, which was RMB404,000, was recognised in reserves. The consideration was received during the year ended 31 December 2017.

On 22 June 2017, Ming Yuan Cloud Client received a capital injection of RMB700,000 from Shenzhen Mingyuan Cooperative Investment Partnership (Limited Partnership) (深圳市明源共創投資合夥企業(有限合夥)). After the transaction, the Group's equity interest in Ming Yuan Cloud Client was diluted from 72% to 67.29% and the Group continues to retain control over Ming Yuan Cloud Client as the Group still has more than 50% of its voting rights. The difference between the deemed consideration receivable of RMB700,000 and the negative carrying amount of the non-controlling interests of RMB425,000, which was RMB1,125,000, was recognised in reserves. The capital injection was received during the year ended 31 December 2017.

- (vi) On 26 June 2017, the Group acquired an additional 5% equity interest in Ming Yuan Cloud Shengshi at a cash consideration of RMB100,000 from one of the Group's directors, Mr. Jiang Haiyang. After the acquisition, Ming Yuan Cloud Shengshi became a wholly owned subsidiary of the Group. The carrying amount of the non-controlling interests on the date of acquisition was RMB100,000. The Group recognised no change in equity attributable to owners of the Company. The consideration was paid during the year ended 31 December 2017.

On 29 May 2019, 22.5% equity interest in Ming Yuan Cloud Shengshi was disposed of by the Group at a cash consideration of RMB450,000. After the transaction, the Group continues to retain control over Ming Yuan Cloud Shengshi by more than 50% of its voting rights. The difference of approximately RMB1,648,000 between the consideration receivable of RMB450,000 and the carrying amount of disposed non-controlling interest of negative RMB1,198,000, was recognised in reserves.

On 10 December 2019, the Group disposed of the remaining 77.5% equity interest in Ming Yuan Cloud Shengshi to an employee. Since Shenzhen Mingyuan Cloud Shengshi was an investment holding company with 20% equity interest in Ming Yuan Cloud Space, the transaction which was in substance disposing of non-controlling interest of Ming Yuan Cloud Space without loss of control and being deemed as equity transaction. Hence, approximately RMB6,654,000 was recognised in reserves resulting from the consideration receivable of RMB1,550,000 and the carrying amount of disposed non-controlling interest of negative RMB5,104,000.

- (vii) Ming Yuan Cloud Chain was established on 12 April 2019. The Group has owned 80% of the equity interest since the establishment of Ming Yuan Cloud Chain and the remaining 20% has been owned by Shenzhen Mingyuan Cloud Century Investment Partnership (Limited Partnership) (深圳市明源雲世紀投資合夥企業(有限合夥)) ("Mingyuan Cloud Century") at a consideration of RMB100,000. The PRC statutory financial statements of Ming Yuan Cloud Chain for the year ended 31 December 2019 were audited by Shenzhen Zhongzhengyinhe Certified Public Accountants LLP.

- (viii) On 13 May 2015, 10% of equity interests of Ming Yuan Cloud Procurement was acquired by Shenzhen Dachen Chuangfeng Equity Investment Enterprise (Limited Partnership) (深圳市達晨創豐股權投資企業(有限合夥)), "Dachen Chuangfeng" and an individual at a consideration of approximately RMB10,000,000. Pursuant to the agreement, the equity interest should be redeemed upon request of Dachen Chuangfeng and the individual by the original shareholders of Ming Yuan Cloud Procurement(Ming Yuan Cloud Technology), controlling owner of Ming Yuan Cloud Procurement(Mr. Gao Yu, Mr. Jiang Haiyang and Mr. Chen Xiaohui) and/or Ming Yuan Cloud Procurement at the higher of (a) net asset, and (b) principal and interest of 10% annual interest rate of the initial consideration, upon occurrence of certain future events. Therefore, it was accounted for as financial liabilities at fair value through profit or loss. On 10 March 2017, Ming Yuan Cloud Technology paid RMB11,860,000 to redeem the shares.

- (ix) The PRC statutory financial statements of Northern Lights Cloud for the year ended 31 December 2019 were audited by Shenzhen Zhongzhengyinhe Certified Public Accountants LLP.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been conducted through the PRC Operating Entities. Pursuant to the Reorganisation, the Listing Business is effectively controlled by Ming Yuan Cloud Technology and ultimately controlled by the Company.

The Company and those companies newly incorporated during the Reorganisation have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business and does not result in any changes in business substance, nor in any management of the Listing Business. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business conducted through the Company, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business for all periods presented.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standard ("IFRS") issued by International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets and financial liabilities (measured at fair value).

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

IFRS 9, 'Financial instruments' and IFRS 15, 'Revenue from contracts with customers' were effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. IFRS 16, 'Leases' is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group has adopted IFRS 9, IFRS 15 and IFRS 16 which have been applied consistently throughout the Track Record Period.

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 April 2020 and have not been early adopted by the Group.

| | | Effective for annual periods beginning on or after |
|----------------------------------|---|---|
| Amendments to IFRS 16 | COVID-19-Related Rent Concessions | 1 June 2020 |
| Amendments to IFRS 3 | Reference to the conceptual framework | 1 January 2022 |
| Amendments to IAS 16 | Proceeds before intended use | 1 January 2022 |
| Amendments to IAS 37 | Cost of fulfilling a contract | 1 January 2022 |
| Annual improvements project | Annual improvements 2018-2020 cycle | 1 January 2022 |
| IFRS 17 | Insurance contracts | 1 January 2023 |
| Amendments to IAS 1 | Classification of liabilities as current or non-current | 1 January 2023 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

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.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(a) Subsidiaries controlled through Contractual Arrangements

As described in Note 1.2, Ming Yuan Cloud Technology has entered into a series of contractual agreements dated 16 April 2019 (Collectively, the "Contractual Arrangements") with Ming Yuan Cloud Procurement and its registered shareholders who collectively hold 80% equity interests of Ming Yuan Cloud Procurement, which enable Ming Yuan Cloud Technology and the Group to:

- Exercise effective control over Ming Yuan Cloud Procurement;
- Exercise equity holders' voting rights of Ming Yuan Cloud Procurement;
- Receive substantially 80% of the economic interests and returns generated by Ming Yuan Cloud Procurement in consideration for the technical support, consulting and other services provided exclusively by Ming Yuan Cloud Technology;
- Obtain an irrevocable and exclusive right to purchase 80% of the equity interests in Ming Yuan Cloud Procurement from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Ming Yuan Cloud Procurement shall return the amount of purchase consideration they have received to Ming Yuan Cloud Technology. At Ming Yuan Cloud Technology's request, the registered shareholders of Ming Yuan Cloud Procurement will promptly and unconditionally transfer their respective equity interests of Ming Yuan Cloud Procurement to Ming Yuan Cloud Technology (or its designee within the Group) after Ming Yuan Cloud Technology exercises its purchase right;
- Obtain pledges over 80% of the entire equity interests in Ming Yuan Cloud Procurement from its registered shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in Ming Yuan Cloud Procurement. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Ming Yuan Cloud Procurement and has the ability to affect those returns through its power over Ming Yuan Cloud Procurement and is considered to control Ming Yuan Cloud Procurement. Consequently, the Company regards Ming Yuan Cloud Procurement as a controlled structure entity and consolidated the financial position and result of operations of Ming Yuan Cloud Procurement in the Historical Financial Information of the Group during the Track Record Period.

(b) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income ("OCI") in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

(c) *Business Combination*

Except for the Reorganisation (Note 1.2), the acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(d) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 *Associates*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group has some investments in redeemable preferred shares of associates and the investments are classified as financial assets at fair value through profit or loss as defined in Note 2.9.

Investments in associates

Investments in associates are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee and the share of OCI of the investee after the date of acquisition. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income or loss is reclassified to consolidated statement of comprehensive income or loss where appropriate.

The Group's share of the associates' post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income or loss, and its share of post-acquisition movements in other comprehensive income or loss is recognised in other comprehensive income or loss. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

2.4 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The Functional Currency of the Company is HKD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group has determined RMB as its presentation currency and presented its Historical Financial Information in RMB(unless otherwise stated).

(b) *Transactions and balances*

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statement of comprehensive income within "other gains/(losses), net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss ("FVPL"), are recognised in the consolidated statements of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through OCI ("FVOCI"), are included in OCI.

(c) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in OCI.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical costs less depreciation. Historical costs include expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

| | |
|----------------------------------|---|
| • Buildings | 30-50 years |
| • Computer equipment | 3-5 years |
| • Furniture and office equipment | 3-5 years |
| • Motor vehicles | 5 years |
| • Leasehold improvements | Shorter of estimated useful lives and remaining lease terms |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in "other gains/(losses), net" in the consolidated statement of comprehensive income.

2.7 Intangible assets

(a) Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining software are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software or database so that it will be available for use;
- management intends to complete the software or database, and use or sell it;
- there is an ability to use or sell the software or database;
- it can be demonstrated how the software or database will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software or database are available, and
- the expenditure attributable to the software or database during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software or database include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. There were no development costs meeting these criteria and capitalised as intangible assets for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020.

(b) Research and development expenditures

Research and development expenditures that do not meet the criteria in (a) above are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent period.

(c) Amortisation method and period

The Group amortises software licenses using the straight-line method over 5 years which is the best estimation under current business needs.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

See Note 19 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses), net" and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains/(losses), net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains/(losses), net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group has types of assets subject to IFRS 9's new expected credit loss model:

- Trade receivables and contract assets
- Other receivables
- Restricted cash
- Cash and cash equivalents

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 22 for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from restricted cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables and contract assets is described in Note 3.1(b).

(e) Derecognition

Financial assets

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

Other financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Inventories

Inventories consist primarily of software dongles, and are stated at the lower of cost, using the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for software licensing or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Other receivables are recognised initially at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 22 for further information about the Group's accounting for trade and other receivables and Note 3.1(b)(ii) for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Share capital

Ordinary shares are classified as equity (Note 24). Mandatorily redeemable preferred shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

2.14 Trade and other payables

These amounts represent liabilities for products and services provided to the Group prior to the end of each reporting period which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.17 Series A Preferred Shares

Holders of the Series A Preferred Shares issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company as detailed in Note 31.

The Group designated the Series A Preferred Shares as financial liabilities at FVPL. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss. The component of fair value changes relating to the Company's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

2.19 Employee benefits**(a) Pension obligations**

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Share-based benefits

As disclosed in Note 27, the Group operates two equity-settled shared-based compensation plans, under which the Group receives service from its employees in exchange for the equity instruments of the Company or Ming Yuan Cloud Technology.

The fair value of the employee service received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution in the separate financial statements of the Company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract assets or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The accounting policy for the Group's revenue sources

The Group derives revenue separately or in combination, from SaaS products and ERP solutions that enable property developers and other real estate industry participants to digitalise and streamline their business operations over the Internet, and are sold either through regional channel partners or to the end customers directly.

SaaS products transform how property developers and other real estate players optimise their procurement, construction, sales, marketing, property asset management, and other property related operations. For ERP solutions, in addition to software licensing, the Group offer implementation services, product support services and value-added services to make customers' own business processes, databases and systems with enhanced performance and customisation.

The Group enters into contracts with end customers that can include combination of software licensing and services which are accounted for as separate performance obligations when they are capable of being distinct and do not have significant integration. For SaaS products sold through regional channel partners, end customers are recognised as direct customers of the Group as regional channel partners cannot control the products before transferring to end customers. For ERP solutions, the Group offers software licensing to regional channel partners or end customers directly, and regional channel partners and end customers are regarded as direct customers of the Group respectively, as regional channel partners can control the software license and further resell it to end customers at their discretion.

The transaction price is the price after discount and is a fixed amount upon signing the contract. The products cannot be returned unless significant problems found, which rarely happens.

(a) SaaS products

The Group sells SaaS products directly to end customers, i.e. the SaaS products users, or sells through its regional channel partners. The Group is responsible for delivering the SaaS products, paying server fees to external cloud server vendors to ensure the SaaS products is accessible and stable, and the Group has discretion in establishing the prices for SaaS products. The regional channel partners have the contractual obligation to follow the Group's pricing guidance and are not primarily obligated to the customers for the quality or performance of the SaaS. Therefore the Group is the principal to the end customers and recognises revenue at the gross amount billed to the end customers by the regional channel partners.

SaaS revenues primarily consist of fees that provide end customers access to one or more of the cloud applications. Revenue is recognised over time if the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights, and the rights granted by the license directly expose the customer to any positive or negative effects of the entity's activities. Otherwise revenue is recognised at a point in time.

The Group applies time-based methods to measure the progress towards complete satisfaction of the performance obligation when the Group has a stand-ready obligation to perform that over a period time.

(b) *ERP software licensing*

Software licensing is a right to use license. The software has standalone functionality and the customer can use the software as it is available at a point in time. Licenses are typically delivered by providing the customer a software dongle with access to download the software. The Group recognises revenue for such licenses at a point in time when the customer has received licenses and software dongles, and thus has control over the software and the Group has a present right to payment.

(c) *ERP implementation and value-added services*

By providing ERP implementation services, the Group assist customers to streamline and expedite the implementation process, and offer customers pre-configured extensions that meet the specific needs of various types of customers.

ERP value-added services include customised configuration and development of specific applications. The Group also provides customers with tailored professional advice to better address each customer's distinct pain points and challenges.

Revenue of ERP implementation and value-added services is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation, which is measured based on the direct measurements of the value transferred by the Group to the customers that best depict the Group's performance in satisfying the performance obligation:

The Group recognises receivables for performance obligations satisfied over time gradually as the performance obligation is satisfied. When the performance obligation satisfied over time while a right to consideration is conditional, contract asset is recognised. When the Group determines that a right to consideration is unconditional, receivable is recognised. Contract liabilities primarily reflect invoices due or payments received in advance of revenue recognition. They are recognised as revenue upon transfer of control to the customers of the promised products and services.

(d) *ERP product support services*

Product support services are provided mainly in the form of fixed-price contracts. Revenue related to these services is recognised ratably over the service contract period.

(e) *Financing components*

The promised amount of consideration for the effects of a significant financing component is not adjusted if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(f) *Incremental costs of obtaining customer contract*

Incremental costs of obtaining customer contract primarily consist of sales commissions capitalised as an asset. Assets recognised from capitalising costs to obtain a contract are amortised to profit or loss on a systematic basis, consistent with the pattern of revenue recognition to which the assets relate. For SaaS products, 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 are recognised as contract acquisition costs. The contract acquisition costs are charged into selling and marketing expenses on a ratable basis which is in line with the revenue recognition.

2.23 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.24 Leases

The Group leases certain offices and land. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate is used.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months. Low-value assets comprise machinery with value below RMB35,000.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful lives and the lease terms on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of each reporting period.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

The management of the Group considers that the business is not exposed to any significant foreign exchange risk for the years ended 31 December 2017 and 2018 as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities. The following table shows the Group's foreign currency dominated monetary assets and liabilities held by the Group companies with RMB as their functional currency (in RMB equivalent).

| | Currency denomination | As at 31 December | | | As at |
|------------------------------|--------------------------|-------------------|---------|---------|-----------------|
| | | 2017 | 2018 | 2019 | 31 March |
| | | RMB'000 | RMB'000 | RMB'000 | 2020 RMB'000 |
| Cash and cash equivalents | USD | – | – | 14,798 | 5 |

As at 31 December 2019, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the period ended 31 December 2019 would have been approximately RMB666,000 higher/lower.

As at 31 March 2020, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, no material profit for the period ended 31 March 2020 would have been higher/lower.

(ii) Fair value interest rate risk

The Group has no significant variable interest-bearing assets or liabilities except for the bank balances, of which the interest rates are not expected to change significantly.

(b) *Credit risk*

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted cash, contractual cash flows of debt instruments carried at FVPL, as well as trade and other receivables and contract assets.

(i) *Risk management*

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

For trade and other receivables and contract assets, the Group has policies in place to ensure that sale of product and service are made to customers with an appropriate credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

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

The Group's investment in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

(ii) *Impairment of financial assets and contract assets*

The Group has three types of assets that are subject to the expected credit loss model:

- Trade receivables and contract assets;
- Other receivables;
- Cash and cash equivalents and restricted cash.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the aging. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party debtor;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor.

Trade receivables and contract assets

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.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 March 2020, 31 December 2019, 2018 and 2017 respectively and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current 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 31 December 2017, 2018 and 2019 and 31 March 2020 was determined as follows for both trade receivables and contract assets:

| 31 December 2017 | Up to 3 months | 3 to 6 months | 6 to 12 months | 1 to 2 years | Over 2 years | Total |
|---|---------------------------|--------------------------|---------------------------|-------------------------|-------------------------|--------------|
| Expected loss rate | 2% | 7% | 14% | 32% | 100% | |
| Gross carrying amount (RMB'000) – trade receivables | 6,011 | 166 | 705 | 629 | – | 7,511 |
| Gross carrying amount (RMB'000) – contract assets | 9,082 | 478 | 388 | 685 | – | 10,633 |
| Loss allowance (RMB'000) | 369 | 45 | 149 | 421 | – | 984 |
| 31 December 2018 | Up to 3 months | 3 to 6 months | 6 to 12 months | 1 to 2 years | Over 2 years | Total |
| Expected loss rate | 5% | 9% | 18% | 36% | 100% | |
| Gross carrying amount (RMB'000) – trade receivables | 14,229 | 1,353 | 818 | 1,232 | 199 | 17,831 |
| Gross carrying amount (RMB'000) – contract assets | 11,534 | 802 | 549 | 506 | 1 | 13,392 |
| Loss allowance (RMB'000) | 1,246 | 201 | 251 | 620 | 200 | 2,518 |
| 31 December 2019 | Up to 3 months | 3 to 6 months | 6 to 12 months | 1 to 2 years | Over 2 years | Total |
| Expected loss rate | 5% | 11% | 19% | 37% | 100% | |
| Gross carrying amount (RMB'000) – trade receivables | 17,489 | 1,043 | 926 | 4,217 | 562 | 24,237 |
| Gross carrying amount (RMB'000) – contract assets | 24,473 | 902 | 835 | 545 | 50 | 26,805 |
| Loss allowance (RMB'000) | 2,064 | 216 | 338 | 1,760 | 612 | 4,990 |
| 31 March 2020 | Up to 3 months | 3 to 6 months | 6 to 12 months | 1 to 2 years | Over 2 years | Total |
| Expected loss rate | 5% | 13% | 20% | 38% | 100% | |
| Gross carrying amount (RMB'000) – trade receivables | 8,231 | 10,815 | 1,058 | 4,430 | 460 | 24,994 |
| Gross carrying amount (RMB'000) – contract assets | 23,187 | 12,235 | 775 | 1,177 | 134 | 37,508 |
| Loss allowance (RMB'000) | 1,571 | 2,948 | 366 | 2,143 | 594 | 7,622 |

The loss allowances for trade receivables and contract assets as at 31 December 2017, 2018 and 2019 and 31 March 2020 reconcile to the opening loss allowances as follows:

| | Contract assets | | | | | Trade receivables | | | | |
|--|------------------------|---------|---------|-----------------------------|---------|------------------------|---------|---------|-----------------------------|---------|
| | Year ended 31 December | | | Three months ended 31 March | | Year ended 31 December | | | Three months ended 31 March | |
| | 2017 | 2018 | 2019 | 2019 | 2020 | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | | | | | (Unaudited) | |
| At the beginning of the year/period | 450 | 528 | 915 | 915 | 1,715 | 349 | 456 | 1,603 | 1,603 | 3,275 |
| Increase in loss allowance recognised in profit or loss during the year/period | 329 | 2,372 | 800 | 1,033 | 1,748 | 297 | 1,464 | 1,672 | 1,123 | 884 |
| Receivables written off during the year/period as uncollectible | (251) | (1,985) | – | – | – | (190) | (317) | – | – | – |
| At the end of the year/period | 528 | 915 | 1,715 | 1,948 | 3,463 | 456 | 1,603 | 3,275 | 2,726 | 4,159 |

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.

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.

(c) 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 RMB'000 |
|--|--------------------------------|-------------------------------------|-------------------------------------|------------------|
| At 31 December 2017 | | | | |
| Trade payable | 42 | – | – | 42 |
| Other payables and accruals (excluding salary and staff welfare payables and taxes payable) | 14,253 | – | – | 14,253 |
| Lease liabilities | 10,093 | 7,944 | 13,544 | 31,581 |
| | <u>24,388</u> | <u>7,944</u> | <u>13,544</u> | <u>45,876</u> |
| At 31 December 2018 | | | | |
| Trade payable | 7,309 | – | – | 7,309 |
| Other payables and accruals (excluding salary and staff welfare payables and taxes payable) | 19,807 | – | – | 19,807 |
| Lease liabilities | 19,340 | 15,582 | 16,714 | 51,636 |
| | <u>46,456</u> | <u>15,582</u> | <u>16,714</u> | <u>78,752</u> |
| At 31 December 2019 | | | | |
| Trade payable | 23,921 | – | – | 23,921 |
| Other payables and accruals (excluding salary and staff welfare payables and taxes payable) | 21,667 | – | – | 21,667 |
| Lease liabilities | 21,762 | 16,585 | 14,207 | 52,554 |
| Convertible redeemable preferred shares | 313,929 | – | – | 313,929 |
| | <u>381,279</u> | <u>16,585</u> | <u>14,207</u> | <u>412,071</u> |
| At 31 March 2020 | | | | |
| Trade payable | 19,632 | – | – | 19,632 |
| Other payables and accruals (excluding salary and staff welfare payables and tax payable) | 15,562 | – | – | 15,562 |
| Lease liabilities | 22,735 | 18,652 | 10,969 | 52,356 |
| Convertible redeemable preferred shares | 327,905 | – | – | 327,905 |
| | <u>385,834</u> | <u>18,652</u> | <u>10,969</u> | <u>415,455</u> |

3.2 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 financial liabilities at FVPL (including Convertible redeemable preferred shares), and lease liabilities, less cash and cash equivalents, restricted cash, and liquid investments which are investments in wealth management products 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 31 December 2017, 2018 and 2019 and 31 March 2020, the Group has a net cash position.

3.3 Fair value estimation

3.3.1 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 31 December 2017, 2018 and 2019 and 31 March 2020 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).

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|--------------------|--------------------|--------------------|------------------|
| As at 31 December 2017 | | | | |
| Financial assets at FVPL | | | | |
| Investments in wealth management products (Note 20(a)) | – | – | 345,342 | 345,342 |
| Investments in unlisted equity securities (Note 20(b)) | – | – | 23,299 | 23,299 |
| | <u>–</u> | <u>–</u> | <u>368,641</u> | <u>368,641</u> |
| Financial assets at FVOCI | | | | |
| Investments in unlisted equity securities (Note 21) | – | – | 15,893 | 15,893 |
| | <u>–</u> | <u>–</u> | <u>15,893</u> | <u>15,893</u> |

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| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|--|--------------------|--------------------|--------------------|------------------|
| As at 31 March 2020 | | | | |
| Financial assets at FVPL | | | | |
| Investments in unlisted equity securities (Note 20(b)) | – | – | 1,863 | 1,863 |
| Investments in redeemable preferred shares (Note 20(c)) | – | – | 40,485 | 40,485 |
| | <u>–</u> | <u>–</u> | <u>42,348</u> | <u>42,348</u> |
| Financial assets at FVOCI | | | | |
| Investments in unlisted equity securities (Note 21) | – | – | 25,485 | 25,485 |
| | <u>–</u> | <u>–</u> | <u>25,485</u> | <u>25,485</u> |
| Financial liabilities at FVPL | | | | |
| Convertible redeemable preferred shares (Note 31) | – | – | 327,905 | 327,905 |
| | <u>–</u> | <u>–</u> | <u>327,905</u> | <u>327,905</u> |

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

3.3.2 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 Track Record Period.

All of the resulting fair value estimates are included in level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

3.3.3 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 and investments in redeemable preferred shares for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020.

The change in level 3 instruments of the financial liabilities at FVPL are presented in Note 31.

| | Financial assets at FVPL | | | Financial assets at FVOCI |
|----------------------------------|--|--|---|--|
| | Investments in wealth management products RMB'000 | Investments in unlisted equity securities RMB'000 | Investments in redeemable preferred shares RMB'000 | Investments in unlisted equity securities RMB'000 |
| As at 1 January 2017 | 211,888 | 20,178 | – | 7,624 |
| Acquisitions | 1,844,260 | 1,600 | – | – |
| Disposals | (1,719,220) | – | – | – |
| Unrealised changes in fair value | 342 | 1,521 | – | 8,269 |
| Realised income or gains | 8,072 | – | – | – |
| As at 31 December 2017 | <u>345,342</u> | <u>23,299</u> | <u>–</u> | <u>15,893</u> |
| As at 1 January 2018 | 345,342 | 23,299 | – | 15,893 |
| Acquisitions | 1,743,820 | – | 12,000 | 6,000 |
| Disposals | (2,105,856) | – | – | – |
| Unrealised changes in fair value | – | 6,051 | – | 4,661 |
| Realised income or gains | 16,694 | – | – | – |
| As at 31 December 2018 | <u>–</u> | <u>29,350</u> | <u>12,000</u> | <u>26,554</u> |
| As at 1 January 2019 | – | 29,350 | 12,000 | 26,554 |
| Acquisitions | 2,550,640 | – | 19,800 | – |
| Disposals | (2,476,035) | (29,262) | – | – |
| Unrealised changes in fair value | – | (7,827) | 2,640 | 5,629 |
| Realised income or gains | 15,395 | 9,462 | – | – |
| As at 31 December 2019 | <u>90,000</u> | <u>1,723</u> | <u>34,440</u> | <u>32,183</u> |
| As 1 January 2020 | 90,000 | 1,723 | 34,440 | 32,183 |
| Acquisitions | 688,030 | – | – | – |
| Disposals | (782,740) | – | – | – |
| Unrealised changes in fair value | – | 140 | 6,045 | (6,698) |
| Realised income or gains | 4,710 | – | – | – |
| As at 31 March 2020 | <u>–</u> | <u>1,863</u> | <u>40,485</u> | <u>25,485</u> |

3.3.4 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 Series A Preferred Shares (Note 31), investments in wealth management products (Note 20(a)), investments in unlisted equity securities (Note 20(b), Note 21) and investments in redeemable preferred shares (Note 20(c)). 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. Major assumptions used in the valuation for financial liabilities at FVPL are presented in Note 31.

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

| Description | Fair value at 31 December | | | Fair value | | Range of inputs | | | Relationship of unobservable inputs to fair value | |
|---|---------------------------|---------|---------|-------------|--|-----------------|------------|------------|---|---|
| | 2017 | 2018 | 2019 | at 31 March | Unobservable | at 31 December | | | at 31 March | fair value |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | inputs | 2017 | 2018 | 2019 | 2020 | |
| Investment in wealth management products | 345,342 | – | 90,000 | – | Expected rate of return | 1.15%~4.65% | N/A | 3.70% | N/A | The higher the expected rate of return, the higher the fair value |
| Investments in unlisted equity securities included in financial assets at FVPL(*) | 23,299 | 29,350 | 1,723 | 1,863 | N/A | N/A | N/A | N/A | N/A | N/A |
| Investments in unlisted equity securities included in financial assets at FVOCI | 15,893 | 26,554 | 32,183 | 25,485 | Expected volatility | 50.00% | 49.00% | 41.00% | 36.00% | Increasing/decreasing the expected volatility by +/-5% would result in a change in fair value by RMB75,000 approximately. |
| | | | | | Risk-free rate | 3.86% | 3.49% | 2.76% | 2.10% | The higher the risk-free rate, the lower the fair value |
| | | | | | P/S ratio | 12.91 | 8.92~21.43 | 8.75~21.43 | 7.67~17.70 | Increasing/decreasing the P/S ratio by +/-10% would result in a change in fair value of RMB3,200,000 approximately. |
| | | | | | Discounts for lack of marketability ("DLOM") | N/A | 30.00% | 30.00% | 30.00% | The higher the DLOM, the lower the fair value |

| Description | Range of inputs | | | | | | | | | Relationship of unobservable inputs to fair value |
|--|---------------------------|---------|---------|-------------|---------------------|----------------|--------|---------------|---------------|--|
| | Fair value | | | | Unobservable inputs | at 31 December | | | at 31 March | |
| | Fair value at 31 December | | | at 31 March | | 2017 | 2018 | 2019 | 2020 | |
| | 2017 | 2018 | 2019 | | | | | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | | | | | |
| Investments in redeemable preferred shares | – | 12,000 | 34,440 | 40,485 | Expected volatility | N/A | 54.00% | 57.00%~64.00% | 58.00%~59.00% | Decreasing the expected volatility by 5% would increase the fair value by RMB129,000 approximately; and Increasing the expected volatility by 5% would decrease the fair vale by RMB242,000 approximately. |
| | | | | | Risk-free rate | N/A | 3.48% | 2.96%~3.11% | 2.14%~2.37% | The higher the risk-free rate, the higher the fair value |
| | | | | | P/S ratio | N/A | 5.60 | 6.10~7.90 | 7.90~17.80 | Increasing the P/S ratio by +/-10% result in a change in fair value of RMB2,145,000 approximately. |
| | | | | | DLOM | N/A | 27.00% | 26.00%~30.00% | 28.00%~30.00% | The higher the DLOM, the lower the fair value |

*: Investments in unlisted equity securities included in financial assets at FVPL were investments in partnerships and the fair values were valued based on the net values declared in the partnerships' report or net asset values of the partnerships.

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

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the profit before income tax for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020 would have been approximately RMB36,864,000, RMB4,135,000, RMB12,616,000, RMB39,462,000 and RMB4,235,000 higher/lower, respectively.

If the fair values of financial assets at FVOCI held by the Group had been 10% higher/lower, the total comprehensive income before income tax for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020 would have been approximately RMB1,589,000, RMB2,655,000, RMB3,218,000, RMB2,702,000 and RMB2,549,000 higher/lower, respectively.

Fair value of the Series A Preferred Shares is affected by changes in the Company's equity value. If the Company's equity value had increased/decreased by 10% with all other variables held constant, the profit before income tax for the year ended 31 December 2019 and the three months ended 31 March 2020 would have been RMB31,393,000 and RMB32,791,000 lower/higher, respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020.

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.

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimation of the fair value of certain financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

(b) Recognition of ERP implementation and value-added services revenue

Revenue from ERP implementation and value-added services is recognised over the period of the contract by reference to the progress of work performed and acknowledged by the customers. The Group has to estimate the value of services performed to date as a proportion of the value of total services to be performed.

(c) Gross vs. net assessment in revenue recognition

As disclosed in Note 2.22, the Group provides SaaS products and ERP solutions to its customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal vs. agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the end customer, the indicators of which including but not limited to (i) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (ii) whether the entity has inventory risk before the specified service has been transferred to a customer; and (iii) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

(d) Allocation of selling price of each distinct performance obligation

As disclosed in Note 2.22, contracts with customers may include multiple performance obligations. When the performance obligations are assessed to be distinct, the Group allocates revenue to each performance obligation based on their relative standalone selling prices. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating whether the performance obligations are distinct and the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

(e) Impairment for trade receivables and contract assets

The impairment provisions for trade receivables and contract assets are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade receivables and contract assets.

(f) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgements and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 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 organization to use a system of integrated applications to manage the business and automate back-office functions relating to technology, services, and human resources. |

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

The segment information for the year ended 31 December 2017 is as follows:

| | SaaS products <i>RMB'000</i> | ERP solutions <i>RMB'000</i> | Unallocated items <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|--|--|--|--------------------------------|
| Revenues | 179,491 | 400,117 | – | 579,608 |
| Gross profit | 169,874 | 290,411 | – | 460,285 |
| Operating (loss)/profit | (50,698) | 157,188 | (17,898) | 88,592 |
| Finance income | 23 | 107 | – | 130 |
| Finance costs | (399) | (1,003) | (2,191) | (3,593) |
| Finance costs – net | (376) | (896) | (2,191) | (3,463) |
| Net losses upon financial liabilities at FVPL transferred to equity | – | – | (1,847) | (1,847) |
| (Loss)/profit before income tax | (51,074) | 156,292 | (21,936) | 83,282 |
| Income tax expense | 167 | (10,647) | – | (10,480) |
| Segment results | <u>(50,907)</u> | <u>145,645</u> | <u>(21,936)</u> | <u>72,802</u> |

The segment information for the year ended 31 December 2018 is as follows:

| | SaaS products <i>RMB'000</i> | ERP solutions <i>RMB'000</i> | Unallocated items <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|--|--|--|--------------------------------|
| Revenues | 329,293 | 583,502 | – | 912,795 |
| Gross profit | 315,153 | 420,527 | – | 735,680 |
| Operating (loss)/profit | (45,114) | 219,362 | 6,051 | 180,299 |
| Finance income | 29 | 92 | – | 121 |
| Finance costs | (405) | (1,623) | – | (2,028) |
| Finance costs – net | (376) | (1,531) | – | (1,907) |
| (Loss)/profit before income tax | (45,490) | 217,831 | 6,051 | 178,392 |
| Income tax expense | 156 | (15,514) | – | (15,358) |
| Segment results | <u>(45,334)</u> | <u>202,317</u> | <u>6,051</u> | <u>163,034</u> |

APPENDIX I

ACCOUNTANT'S REPORT

The segment information for the year ended 31 December 2019 is follows:

| | SaaS products <i>RMB'000</i> | ERP solutions <i>RMB'000</i> | Unallocated items <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|--|--|--|--------------------------------|
| Revenues | 509,827 | 754,142 | – | 1,263,969 |
| Gross profit | 464,911 | 529,658 | – | 994,569 |
| Operating (loss)/profit | (41,439) | 284,932 | 598 | 244,091 |
| Finance income | 30 | 154 | – | 184 |
| Finance costs | (632) | (1,265) | – | (1,897) |
| Finance costs – net | (602) | (1,111) | – | (1,713) |
| (Loss)/profit before income tax | (42,041) | 283,821 | 598 | 242,378 |
| Income tax expense | 206 | (10,935) | – | (10,729) |
| Segment results | <u>(41,835)</u> | <u>272,886</u> | <u>598</u> | <u>231,649</u> |

The segment information for the three months ended 31 March 2019 (unaudited) is as follows:

| | SaaS products <i>RMB'000</i> | ERP solutions <i>RMB'000</i> | Unallocated items <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|--|--|--|--------------------------------|
| Revenues | 77,873 | 116,965 | – | 194,838 |
| Gross profit | 73,254 | 70,808 | – | 144,062 |
| Operating (loss)/profit | (17,875) | 24,344 | 1,530 | 7,999 |
| Finance income | 10 | 61 | – | 71 |
| Finance costs | (132) | (333) | – | (465) |
| Finance costs – net | (122) | (272) | – | (394) |
| (Loss)/profit before income tax | (17,997) | 24,072 | 1,530 | 7,605 |
| Income tax expense | 1 | (723) | – | (722) |
| Segment results | <u>(17,996)</u> | <u>23,349</u> | <u>1,530</u> | <u>6,883</u> |

The segment information for the three months ended 31 March 2020 is as follows:

| | SaaS products <i>RMB'000</i> | ERP solutions <i>RMB'000</i> | Unallocated items <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|--|--|--|--------------------------------|
| Revenues | 129,647 | 124,143 | – | 253,790 |
| Gross profit | 119,226 | 74,108 | – | 193,334 |
| Operating (loss)/profit | (7,749) | 28,799 | 3,973 | 25,023 |
| Finance income | 15 | 456 | – | 471 |
| Finance costs | (215) | (313) | – | (528) |
| Finance costs – net | (200) | 143 | – | (57) |
| Fair value changes of convertible redeemable preferred shares | – | – | (8,987) | (8,987) |
| (Loss)/profit before income tax | (7,949) | 28,942 | (5,014) | 15,979 |
| Income tax expense | 36 | (1,298) | – | (1,262) |
| Segment results | <u>(7,913)</u> | <u>27,644</u> | <u>(5,014)</u> | <u>14,717</u> |

6 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:

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|----------------|------------------|--------------------------------|----------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| SaaS products | 179,491 | 329,293 | 509,827 | 77,873 | 129,647 |
| ERP solutions | | | | | |
| – Revenue from rendering of value-added services | 117,936 | 206,527 | 319,962 | 49,206 | 50,161 |
| – Revenue from software licensing | 157,860 | 231,903 | 232,888 | 34,367 | 30,680 |
| – Revenue from rendering of product support services | 56,296 | 69,571 | 113,581 | 22,623 | 27,169 |
| – Revenue from rendering of implementation services | 68,025 | 75,501 | 87,711 | 10,769 | 16,133 |
| | <u>579,608</u> | <u>912,795</u> | <u>1,263,969</u> | <u>194,838</u> | <u>253,790</u> |

| | Year ended 31 December | | | Three months ended 31 March | |
|-------------------------------|------------------------|----------------|------------------|--------------------------------|----------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| SaaS products | | | | | |
| – Revenues over time | 179,491 | 329,293 | 487,773 | 77,873 | 128,108 |
| – Revenues at a point in time | – | – | 22,054 | – | 1,539 |
| ERP solutions | | | | | |
| – Revenues over time | 242,257 | 351,599 | 521,254 | 82,598 | 93,463 |
| – Revenues at a point in time | 157,860 | 231,903 | 232,888 | 34,367 | 30,680 |
| | <u>579,608</u> | <u>912,795</u> | <u>1,263,969</u> | <u>194,838</u> | <u>253,790</u> |

(a) Assets and liabilities related to contracts with customers

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

| | As at 31 December | | | As at 31 March |
|--|-------------------|----------------|----------------|----------------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Contract assets | 10,633 | 13,392 | 26,805 | 37,508 |
| Less: Allowance for contract assets (Note 31) | (528) | (915) | (1,715) | (3,463) |
| Total contract assets | <u>10,105</u> | <u>12,477</u> | <u>25,090</u> | <u>34,045</u> |
| Contract acquisition costs | 31,534 | 60,722 | 103,913 | 102,873 |
| Less: non-current portion | (100) | (465) | (731) | (914) |
| | <u>31,434</u> | <u>60,257</u> | <u>103,182</u> | <u>101,959</u> |
| Contract liabilities | 180,568 | 267,432 | 396,088 | 354,361 |
| Less: non-current portion | (12,637) | (15,733) | (18,396) | (16,164) |
| | <u>167,931</u> | <u>251,699</u> | <u>377,692</u> | <u>338,197</u> |

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

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

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

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

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue is recognised during the Track Record Period relates to carried-forward contract liabilities.

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|----------------|----------------|-----------------------------|----------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| Revenue recognised in relation to contract liabilities | <u>96,820</u> | <u>167,931</u> | <u>251,699</u> | <u>183,154</u> | <u>122,967</u> |

(iii) Unsatisfied long-term contracts

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

| | As at 31 December | | As at 31 March | |
|---------------------------------|-------------------|---------|----------------|---------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Unsatisfied long-term contracts | 278,322 | 423,402 | 604,661 | 633,531 |

Management expects that unsatisfied performance obligations of approximately RMB620,555,000 as at 31 March 2020 will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB12,976,000 will be recognised in 1 to 2 years.

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

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

The Group has recognised an asset in relation to costs to acquire the SaaS products contracts. This is presented as contract acquisition costs in the balance sheet.

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

| | Year ended 31 December | | | Three months ended | |
|---|------------------------|---------|---------|--------------------|---------|
| | 2017 | 2018 | 2019 | 31 March 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Amortisation recognised as selling and marketing expenses related to SaaS products during the year/period | 77,060 | 141,803 | 202,068 | 35,516 | 50,837 |

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

7 Expenses by natures

| | Year ended 31 December | | | Three months ended 31 March | |
|---|------------------------|-----------------|------------------|--------------------------------|-----------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2019 RMB'000 (Unaudited) | 2020 RMB'000 |
| Employee benefit expenses (Note 10) | 353,717 | 521,235 | 675,556 | 124,407 | 156,340 |
| Share-based compensation (Note 10) | 19,419 | – | – | – | – |
| Commission expenses | 77,060 | 141,803 | 202,068 | 35,516 | 50,837 |
| Outsourcing expenses | 20,966 | 50,121 | 72,183 | 13,680 | 14,593 |
| Depreciation of right-of- use assets (Note 16) | 12,472 | 16,030 | 21,427 | 4,909 | 6,039 |
| IT and communication charges | 4,190 | 7,033 | 11,522 | 1,906 | 5,222 |
| Professional and technical service fees | 12,466 | 9,292 | 16,293 | 1,483 | 3,178 |
| Listing expenses | – | – | 4,271 | – | 2,836 |
| Traveling and entertainment expenses | 22,831 | 30,695 | 33,464 | 5,408 | 2,692 |
| Exhibition and promotion charges | 6,339 | 12,047 | 16,132 | 1,771 | 2,151 |
| Depreciation of property, plant and equipment (Note 15) | 3,429 | 4,625 | 6,333 | 1,275 | 1,933 |
| Short-term rental and utilities expenses | 4,196 | 4,771 | 6,539 | 1,440 | 1,861 |
| Costs of inventories sold | 578 | 590 | 18,905 | 32 | 1,511 |
| Taxes and surcharges | 7,174 | 10,192 | 10,424 | 477 | 881 |
| Auditor's remuneration | 708 | 377 | 377 | – | – |
| Office expenses | 7,079 | 7,824 | 8,555 | 786 | 676 |
| Amortisation of intangible assets (Note 17) | 549 | 534 | 552 | 118 | 182 |
| Others | 319 | 371 | 640 | 371 | 555 |
| | <u>553,492</u> | <u>817,540</u> | <u>1,105,241</u> | <u>193,579</u> | <u>251,487</u> |

No development expenses had been capitalised during the Track Record Period.

8 Other income

| | Year ended 31 December | | | Three months ended 31 March | |
|---|------------------------|-----------------|-----------------|--------------------------------|-----------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2019 RMB'000 (Unaudited) | 2020 RMB'000 |
| Other government grants | 11,582 | 9,307 | 16,312 | – | 7,592 |
| Income from wealth management products (b, Note 20(a)) | 8,414 | 16,694 | 15,395 | 3,171 | 4,710 |
| VAT refund (a) | 31,486 | 39,490 | 30,412 | 3,686 | 3,047 |
| Income generated from offline activities and others | 9,945 | 17,597 | 20,240 | 352 | 1,979 |
| Dividend income from investments in unlisted equity securities included in financial assets at FVPL | – | – | 594 | – | 624 |
| | <u>61,427</u> | <u>83,088</u> | <u>82,953</u> | <u>7,209</u> | <u>17,952</u> |

- (a) According to the VAT tax regulations in the PRC, the development and sales of computer software are subject to VAT with an applicable rate of 17%, during the period from 1 January 2017 to 30 April 2018. From 1 May 2018, according to the circular “Notice of Ministry of Finance and the General Administration of Taxation on the Adjustment of VAT Rate” (Cai Shui [2018] No. 32 財稅[2018]32號), the applicable VAT rate for sales of computer software has been adjusted from 17% to 16%. From 1 April 2019, according to the circular “Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation” (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告2019年第39號), the application VAT rate for sales of computer software has been adjusted from 16% to 13%.

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

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

9 OTHER GAINS, NET

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|-----------------|-----------------|--------------------------------|-----------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2019 RMB'000 (Unaudited) | 2020 RMB'000 |
| Fair value gains on investments in redeemable preferred shares (<i>Note 20(c)</i>) | – | – | 2,640 | – | 6,045 |
| Foreign exchange gains | – | – | 300 | – | 1,341 |
| Fair value gains on investments in unlisted equity securities included in financial assets at FVPL (<i>Note 20(b)</i>) | 1,521 | 6,051 | 1,635 | 1,530 | 140 |
| Net gains/(losses) on disposal of property, plant and equipment | 16 | (54) | (26) | – | – |
| Others | 3 | – | – | – | – |
| | <u>1,540</u> | <u>5,997</u> | <u>4,549</u> | <u>1,530</u> | <u>7,526</u> |

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|-----------------|-----------------|--------------------------------|-----------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2019 RMB'000 (Unaudited) | 2020 RMB'000 |
| Salaries, wages, and bonuses | 273,697 | 414,102 | 536,498 | 95,029 | 133,093 |
| Pension costs – defined contribution plans (<i>a</i>) | 28,426 | 40,451 | 53,523 | 11,615 | 6,256 |
| Other social security costs, housing benefits and other employee benefits (<i>b</i>) | 51,594 | 66,682 | 85,535 | 17,763 | 16,991 |
| Share-based compensation (<i>Note 27</i>) | 19,419 | – | – | – | – |
| | <u>373,136</u> | <u>521,235</u> | <u>675,556</u> | <u>124,407</u> | <u>156,340</u> |

(a) Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes partnerships which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

The costs of social security were decreased for the three months ended 31 March 2020, as the government has implemented such a policy to reduce the impact of Coronavirus Disease 2019 (the "COVID-19") to companies.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Track Record Period include 1, nil, nil, 1 and nil directors for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020 respectively, and their emoluments are reflected in the analysis shown in Note 10(c). The emoluments payable to the remaining 4, 5, 5, 4 and 5 individuals for the Track Record Period are as follows:

| | Year ended 31 December | | | Three months ended 31 March | |
|---|------------------------|-----------------|-----------------|--------------------------------|-----------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2019 RMB'000 (Unaudited) | 2020 RMB'000 |
| Salaries, wages, and bonuses | 4,629 | 8,635 | 7,730 | 1,022 | 2,355 |
| Pension costs – defined contribution plans | 166 | 242 | 231 | 48 | 30 |
| Other social security costs, housing benefits and other employee benefits | 205 | 289 | 294 | 51 | 58 |
| Share-based compensation | 3,364 | – | – | – | – |
| | <u>8,364</u> | <u>9,166</u> | <u>8,255</u> | <u>1,121</u> | <u>2,443</u> |

The emoluments fell within the following bands:

| | Number of individuals | | | Three months ended 31 March | |
|---|--------------------------------|----------|----------|--------------------------------|----------|
| | Year ended 31 December 2017 | 2018 | 2019 | 2020 | |
| Emoluments bands: | | | | | |
| Nil to HKD1,000,000 (equivalent to approximately nil to RMB896,000) | – | – | – | 4 | 5 |
| HKD1,500,000 to HKD2,000,000 (equivalent to approximately RMB1,344,000 to RMB1,792,000) | 1 | 2 | 5 | – | – |
| HKD2,000,000 to HKD2,500,000 (equivalent to approximately RMB1,792,000 to RMB2,239,000) | 2 | 3 | – | – | – |
| HKD2,500,000 to HKD3,000,000 (equivalent to approximately RMB2,239,000 to RMB2,687,000) | 1 | – | – | – | – |
| | <u>4</u> | <u>5</u> | <u>5</u> | <u>4</u> | <u>5</u> |

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020.

(c) Directors' and chief executive's emoluments

Remuneration of every director and the chief executive's is set out below:

| | Director's fee RMB'000 | Salaries, wages and bonus RMB'000 | Pension cost-defined contribution plan RMB'000 | Other social security costs, housing benefits and other employee benefits RMB'000 | Share-based compensation RMB'000 | Total RMB'000 |
|--|------------------------------|--|---|--|--|------------------|
| For the year ended 31 December 2017 | | | | | | |
| Chairman and executive director: | | | | | | |
| Mr. Gao Yu (i) | – | 720 | 36 | 50 | – | 806 |
| Executive directors: | | | | | | |
| Mr. Chen Xiaohui (ii) | – | 720 | 36 | 50 | – | 806 |
| Mr. Jiang Haiyang (ii) | – | 900 | 36 | 50 | 182 | 1,168 |
| Mr. Jiang Keyang (ii) | – | 520 | 36 | 50 | 55 | 661 |
| Non-executive directors: | | | | | | |
| Mr. Liang Guozhi (iii) | – | – | – | – | – | – |
| Mr. Yi Feifan (iii) | – | – | – | – | – | – |
| Independent non-executive directors: | | | | | | |
| Mr. Li Hanhui (iv) | 70 | – | – | – | – | 70 |
| Mr. Zhao Liang (iv) | – | – | – | – | – | – |
| Ms. Zeng Jing (iv) | – | – | – | – | – | – |
| | 70 | 2,860 | 144 | 200 | 237 | 3,511 |

| | Director's fee RMB'000 | Salaries, wages and bonus RMB'000 | Pension cost-defined contribution plan RMB'000 | Other social security costs, housing benefits and other employee benefits RMB'000 | Share-based compensation RMB'000 | Total RMB'000 |
|--|------------------------------|--|---|--|--|------------------|
| For the year ended 31 December 2018 | | | | | | |
| Chairman and executive director: | | | | | | |
| Mr. Gao Yu (i) | – | 852 | 40 | 49 | – | 941 |
| Executive directors: | | | | | | |
| Mr. Chen Xiaohui (ii) | – | 852 | 40 | 49 | – | 941 |
| Mr. Jiang Haiyang (ii) | – | 1,138 | 40 | 49 | – | 1,227 |
| Mr. Jiang Keyang (ii) | – | 728 | 40 | 49 | – | 817 |
| Non-executive directors: | | | | | | |
| Mr. Liang Guozhi (iii) | – | – | – | – | – | – |
| Mr. Yi Feifan (iii) | – | – | – | – | – | – |
| Independent non-executive directors: | | | | | | |
| Mr. Li Hanhui (iv) | 70 | – | – | – | – | 70 |
| Mr. Zhao Liang (iv) | – | – | – | – | – | – |
| Ms. Zeng Jing (iv) | – | – | – | – | – | – |
| | 70 | 3,570 | 160 | 196 | – | 3,996 |

| | Director's fee <i>RMB'000</i> | Salaries, wages and bonus <i>RMB'000</i> | Pension cost-defined contribution plan <i>RMB'000</i> | Other social security costs, housing benefits and other employee benefits <i>RMB'000</i> | Share-based compensation <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|-------------------------------------|---|--|---|---|-------------------------|
| For the year ended 31 December 2019 | | | | | | |
| Chairman and executive director: | | | | | | |
| Mr. Gao Yu (i) | – | 432 | 35 | 42 | – | 509 |
| Executive directors: | | | | | | |
| Mr. Chen Xiaohui (ii) | – | 432 | 35 | 42 | – | 509 |
| Mr. Jiang Haiyang (ii) | – | 480 | 35 | 42 | – | 557 |
| Mr. Jiang Keyang (ii) | – | 679 | 35 | 42 | – | 756 |
| Non-executive directors: | | | | | | |
| Mr. Liang Guozhi (iii) | – | – | – | – | – | – |
| Mr. Yi Feifan (iii) | – | – | – | – | – | – |
| Independent non-executive directors: | | | | | | |
| Mr. Li Hanhui (iv) | 53 | – | – | – | – | 53 |
| Mr. Zhao Liang (iv) | – | – | – | – | – | – |
| Ms. Zeng Jing (iv) | – | – | – | – | – | – |
| | 53 | 2,023 | 140 | 168 | – | 2,384 |

| | Director's fee <i>RMB'000</i> | Salaries, wages and bonus <i>RMB'000</i> | Pension cost-defined contribution plan <i>RMB'000</i> | Other social security costs, housing benefits and other employee benefits <i>RMB'000</i> | Share-based compensation <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|-------------------------------------|---|--|---|---|-------------------------|
| (Unaudited) | | | | | | |
| For the three months ended 31 March 2019 | | | | | | |
| Chairman and executive director: | | | | | | |
| Mr. Gao Yu (i) | – | 108 | 11 | 10 | – | 129 |
| Executive directors: | | | | | | |
| Mr. Chen Xiaohui (ii) | – | 108 | 11 | 10 | – | 129 |
| Mr. Jiang Haiyang (ii) | – | 120 | 11 | 10 | – | 141 |
| Mr. Jiang Keyang (ii) | – | 127 | 11 | 10 | – | 148 |
| Non-executive directors: | | | | | | |
| Mr. Liang Guozhi (iii) | – | – | – | – | – | – |
| Mr. Yi Feifan (iii) | – | – | – | – | – | – |
| Independent non-executive directors: | | | | | | |
| Mr. Li Hanhui (iv) | 18 | – | – | – | – | 18 |
| Mr. Zhao Liang (iv) | – | – | – | – | – | – |
| Ms. Zeng Jing (iv) | – | – | – | – | – | – |
| | 18 | 463 | 44 | 40 | – | 565 |

| | Director's fee RMB'000 | Salaries, wages and bonus RMB'000 | Pension cost-defined contribution plan RMB'000 | Other social security costs, housing benefits and other employee benefits RMB'000 | Share-based compensation RMB'000 | Total RMB'000 |
|---|------------------------------|--|---|--|--|------------------|
| For the three months ended 31 March 2020 | | | | | | |
| Chairman and executive director: | | | | | | |
| Mr. Gao Yu (i) | – | 108 | 4 | 9 | – | 121 |
| Executive directors: | | | | | | |
| Mr. Chen Xiaohui (ii) | – | 108 | 4 | 9 | – | 121 |
| Mr. Jiang Haiyang (ii) | – | 120 | 4 | 9 | – | 133 |
| Mr. Jiang Keyang (ii) | – | 127 | 4 | 9 | – | 140 |
| Non-executive directors: | | | | | | |
| Mr. Liang Guozhi (iii) | – | – | – | – | – | – |
| Mr. Yi Feifan (iii) | – | – | – | – | – | – |
| Independent non-executive directors: | | | | | | |
| Mr. Li Hanhui (iv) | – | – | – | – | – | – |
| Mr. Zhao Liang (iv) | – | – | – | – | – | – |
| Ms. Zeng Jing (iv) | – | – | – | – | – | – |
| | – | 463 | 16 | 36 | – | 515 |

Note:

- (i) Mr. Gao Yu was appointed as the Company's executive director and chairman of the board of directors on 12 June 2020.
- (ii) Mr. Chen Xiaohui, Mr. Jiang Haiyang and Mr. Jiang Keyang were appointed as the Company's executive directors on 12 June 2020.
- (iii) Mr. Liang Guozhi and Mr. Yi Feifan was appointed as the Company's non-executive director on 12 June 2020.
- (iv) Mr. Li Hanhui, Mr. Zhao Liang and Ms. Zeng Jing were appointed as the Company's independent non-executive directors on 4 September 2020.

(d) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the Track Record Period.

(e) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available Directors' services subsisted at the end of each reporting period or at any time during the Track Record Period.

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(g) Directors' material interests in transactions, arrangements or contract

No significant transactions, arrangements and contracts in relation to the Group's Business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

11 Finance costs, net

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|----------------|----------------|--------------------------------|-------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| <i>Finance income</i> | | | | | |
| – Interest income from bank deposits | 130 | 121 | 184 | 71 | 471 |
| <i>Finance costs</i> | | | | | |
| – Interest expenses on lease liabilities | (1,402) | (1,694) | (1,897) | (465) | (528) |
| – Interest expenses on bank borrowings | – | (334) | – | – | – |
| – Dividends paid to holders of financial liabilities at FVPL | (2,191) | – | – | – | – |
| Finance costs – net | <u>(3,463)</u> | <u>(1,907)</u> | <u>(1,713)</u> | <u>(394)</u> | <u>(57)</u> |

12 Income tax expense

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|---------------|----------------|--------------------------------|--------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| Current income tax | 10,237 | 14,426 | 12,585 | – | 962 |
| Deferred income tax (<i>Note 28</i>) | <u>243</u> | <u>932</u> | <u>(1,856)</u> | <u>722</u> | <u>300</u> |
| Income tax expense | <u>10,480</u> | <u>15,358</u> | <u>10,729</u> | <u>722</u> | <u>1,262</u> |

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020, being the standard income rate in the PRC. The differences are analysed as follows:

| | Year ended 31 December | | | Three months ended | |
|---|------------------------|---------------|---------------|--------------------|--------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| Profit before income tax expense | 83,282 | 178,392 | 242,378 | 7,605 | 15,979 |
| Tax calculated at the statutory PRC tax rate of 25% | 20,821 | 44,598 | 60,595 | 1,901 | 3,995 |
| Tax losses for which no deferred income tax asset was recognised | 14,865 | 20,496 | 19,078 | 5,819 | 6,644 |
| Super deduction for research and development expenses | (18,034) | (28,350) | (39,179) | (7,341) | (8,869) |
| Utilisation of tax losses previously not recognised | (190) | (1,005) | (8,697) | (942) | (2,911) |
| Effects of different tax rates in overseas jurisdictions | – | – | 831 | – | 2,807 |
| Expenses not deductible for tax purpose | 6,392 | 585 | 702 | 148 | 76 |
| Effects of preferential tax rates applicable to PRC subsidiaries of the Group | (13,374) | (20,966) | (22,601) | 1,137 | (480) |
| Income tax expense | 10,480 | 15,358 | 10,729 | 722 | 1,262 |

(a) Cayman Islands

Under the current laws of the Cayman Islands, entities incorporated in the Cayman Islands are not subject to tax on income or capital gain. In addition, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

(b) British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on income or capital gain. In addition, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

(c) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the Track Record Period.

(d) 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 years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020.

According to Cai Shui [2012] No. 27 (財稅[2012]27號), key software enterprises that have not benefited from the preferential treatment of tax exemption in the current year may be subjected to a lower CIT rate of 10%. In 2016, Cai Shui [2016] No. 49 (財稅[2016]49號, "Circular 49"), is released in order to further clarify the criteria for enterprises to qualify as key software enterprises. Ming Yuan Cloud Technology met requirements in Circular 49 for the years ended 31 December 2017 and 2018 and has performed a record-filing with in-charge tax authority.

Furthermore, based on management's assessment, Ming Yuan Cloud Technology will probably meet those requirements for the years ended 31 December 2019 and 2020. Therefore, Ming Yuan Cloud Technology used a preferential CIT rate of 10% for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020.

Ming Yuan Cloud Client had also applied to the relevant tax bureau and was granted the qualification as High and New Technology Enterprise ("HNTE") in 2016 and it has renewed the qualification of HNTE in 2019. As a result, it is subject to a preferential CIT rate of 15% for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020.

Ming Yuan Cloud Space and Ming Yuan Cloud Procurement had qualified to apply the preferential CIT rate of 15% for HNTE beginning from 1 January 2019.

(e) 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 2020, according to Caishui [2018] No. 99 (财税[2018]99号), 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 from 2017 to 2019 and the three months ended 2020, they could claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits during the Track Record Period.

13 Earnings per share

For the purpose of computing basic and diluted earnings per share, ordinary shares issued in the Reorganisation were assumed to have been issued and allocated on 1 January 2017 as if the Company has been established by then.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

| | Year ended 31 December | | | Three months ended | |
|---|------------------------|-----------|-----------|--------------------|-----------|
| | 2017 | 2018 | 2019 | 31 March 2019 | 2020 |
| | (Unaudited) | | | | |
| Profit attributable to owners of the Company (RMB'000) | 73,151 | 157,132 | 216,421 | 5,438 | 10,055 |
| Weighted average number of ordinary shares in issue (thousand) (Note) | 1,331,850 | 1,331,850 | 1,331,850 | 1,331,850 | 1,331,850 |
| Basic earnings per share (in RMB) | 0.0549 | 0.1180 | 0.1625 | 0.0041 | 0.0075 |

Note: The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issuance of shares in connection with the Reorganization completed on 3 July 2019 (Note 1.2(1)) and 30 March 2020 (Note 1.2(3)(b)) and the share subdivision on 31 March 2020 whereby each ordinary share was subdivided into 10 ordinary shares (Note 24(e)). The 7,484,080 treasury shares issued on 30 March 2020 to MYC Marvellous Limited as disclosed in Note 24(d) is excluded in the calculation of earnings per share.

(b) Diluted earnings per share

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

The Group has one category of potential ordinary shares in the Track Record Period which were the convertible redeemable preferred shares as mentioned in Note 31.

During the Track Record Period, the convertible redeemable preferred shares were dilutive for the year ended 31 December 2019 due to their conversion to ordinary shares would decrease the earnings per share; while anti-dilutive for the three months ended 31 March 2020 due to their conversion to ordinary shares would increase the earnings per share.

After considering all of the above factors, the diluted earnings per share was RMB0.1605 for the year ended 31 December 2019; while the diluted earnings per share was the same as the basic earnings per share for the three months ended 31 March 2020.

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|------------------|------------------|--------------------------------|------------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | | | | (Unaudited) | |
| Profit attributable to owners of the Company (RMB'000) | 73,151 | 157,132 | 216,421 | 5,438 | 10,055 |
| Weighted average number of shares outstanding to assume conversion of all dilutive potential shares (thousand) | <u>1,331,850</u> | <u>1,331,850</u> | <u>1,348,439</u> | <u>1,331,850</u> | <u>1,331,850</u> |
| Diluted earnings per share (in RMB) | <u>0.0549</u> | <u>0.1180</u> | <u>0.1605</u> | <u>0.0041</u> | <u>0.0075</u> |

14 Dividends

No dividends have been paid or declared by the Company since its incorporation.

Dividends of RMB32,528,000, RMB206,434,000, nil, nil and nil were paid to the then shareholders of Ming Yuan Cloud Technology for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020 respectively.

15 Property, plant and equipment

| | Buildings <i>RMB'000</i> | Computer equipment <i>RMB'000</i> | Furniture and office equipment <i>RMB'000</i> | Motor vehicles <i>RMB'000</i> | Leasehold improvements <i>RMB'000</i> | Assets under construction <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|-----------------------------|---|--|-------------------------------------|---|--|-------------------------|
| At 1 January 2017 | | | | | | | |
| Cost | 35,081 | 15,925 | 4,090 | 1,400 | 408 | – | 56,904 |
| Accumulated depreciation | (3,462) | (12,868) | (3,902) | (1,088) | (208) | – | (21,528) |
| Net book amount | <u>31,619</u> | <u>3,057</u> | <u>188</u> | <u>312</u> | <u>200</u> | <u>–</u> | <u>35,376</u> |
| Year ended 31 December 2017 | | | | | | | |
| Opening net book amount | 31,619 | 3,057 | 188 | 312 | 200 | – | 35,376 |
| Additions | – | 3,427 | 853 | – | 2,351 | 68,262 | 74,893 |
| Disposal | – | (47) | (4) | (30) | – | – | (81) |
| Depreciation charge | (696) | (1,291) | (273) | (89) | (1,080) | – | (3,429) |
| Closing net book amount | <u>30,923</u> | <u>5,146</u> | <u>764</u> | <u>193</u> | <u>1,471</u> | <u>68,262</u> | <u>106,759</u> |
| At 31 December 2017 | | | | | | | |
| Cost | 35,081 | 18,406 | 4,938 | 789 | 2,159 | 68,262 | 129,635 |
| Accumulated depreciation | (4,158) | (13,260) | (4,174) | (596) | (688) | – | (22,876) |
| Net book amount | <u>30,923</u> | <u>5,146</u> | <u>764</u> | <u>193</u> | <u>1,471</u> | <u>68,262</u> | <u>106,759</u> |
| Year ended 31 December 2018 | | | | | | | |
| Opening net book amount | 30,923 | 5,146 | 764 | 193 | 1,471 | 68,262 | 106,759 |
| Additions | – | 3,300 | 1,506 | – | 3,186 | – | 7,992 |
| Disposal | – | (54) | – | – | – | – | (54) |
| Depreciation charge | (696) | (1,652) | (474) | (80) | (1,723) | – | (4,625) |
| Closing net book amount | <u>30,227</u> | <u>6,740</u> | <u>1,796</u> | <u>113</u> | <u>2,934</u> | <u>68,262</u> | <u>110,072</u> |
| At 31 December 2018 | | | | | | | |
| Cost | 35,081 | 20,646 | 6,444 | 789 | 5,345 | 68,262 | 136,567 |
| Accumulated depreciation | (4,854) | (13,906) | (4,648) | (676) | (2,411) | – | (26,495) |
| Net book amount | <u>30,227</u> | <u>6,740</u> | <u>1,796</u> | <u>113</u> | <u>2,934</u> | <u>68,262</u> | <u>110,072</u> |
| At 1 January 2019 | | | | | | | |
| Cost | 35,081 | 20,646 | 6,444 | 789 | 5,345 | 68,262 | 136,567 |
| Accumulated depreciation | (4,854) | (13,906) | (4,648) | (676) | (2,411) | – | (26,495) |
| Net book amount | <u>30,227</u> | <u>6,740</u> | <u>1,796</u> | <u>113</u> | <u>2,934</u> | <u>68,262</u> | <u>110,072</u> |

APPENDIX I

ACCOUNTANT'S REPORT

| | Buildings <i>RMB'000</i> | Computer equipment <i>RMB'000</i> | Furniture and office equipment <i>RMB'000</i> | Motor vehicles <i>RMB'000</i> | Leasehold improvements <i>RMB'000</i> | Assets under construction <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|------------------------------------|---|---|---|---|--|--------------------------------|
| Year ended 31 December 2019 | | | | | | | |
| Opening net book amount | 30,227 | 6,740 | 1,796 | 113 | 2,934 | 68,262 | 110,072 |
| Additions | – | 3,875 | 2,315 | – | 3,793 | 4,587 | 14,570 |
| Disposal | – | (26) | – | – | – | – | (26) |
| Depreciation charge | (695) | (2,428) | (850) | (74) | (2,286) | – | (6,333) |
| Closing net book amount | <u>29,532</u> | <u>8,161</u> | <u>3,261</u> | <u>39</u> | <u>4,441</u> | <u>72,849</u> | <u>118,283</u> |
| At 31 December 2019 | | | | | | | |
| Cost | 35,081 | 23,942 | 8,759 | 789 | 9,138 | 72,849 | 150,558 |
| Accumulated depreciation | (5,549) | (15,781) | (5,498) | (750) | (4,697) | – | (32,275) |
| Net book amount | <u>29,532</u> | <u>8,161</u> | <u>3,261</u> | <u>39</u> | <u>4,441</u> | <u>72,849</u> | <u>118,283</u> |
| (Unaudited) At 1 January 2019 | | | | | | | |
| Cost | 35,081 | 20,646 | 6,444 | 789 | 5,345 | 68,262 | 136,567 |
| Accumulated depreciation | (4,854) | (13,906) | (4,648) | (676) | (2,411) | – | (26,495) |
| Net book amount | <u>30,227</u> | <u>6,740</u> | <u>1,796</u> | <u>113</u> | <u>2,934</u> | <u>68,262</u> | <u>110,072</u> |
| Three months ended 31 March 2019 | | | | | | | |
| Opening net book amount | 30,227 | 6,740 | 1,796 | 113 | 2,934 | 68,262 | 110,072 |
| Additions | – | 1,459 | 43 | – | – | 968 | 2,470 |
| Disposal | – | – | – | – | – | – | – |
| Depreciation charge | (174) | (522) | (158) | (20) | (401) | – | (1,275) |
| Closing net book amount | <u>30,053</u> | <u>7,677</u> | <u>1,681</u> | <u>93</u> | <u>2,533</u> | <u>69,230</u> | <u>111,267</u> |

| | Buildings <i>RMB'000</i> | Computer equipment <i>RMB'000</i> | Furniture and office equipment <i>RMB'000</i> | Motor vehicles <i>RMB'000</i> | Leasehold improvements <i>RMB'000</i> | Assets under construction <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|------------------------------------|---|---|---|---|--|--------------------------------|
| At 31 March 2019 | | | | | | | |
| Cost | 35,081 | 22,105 | 6,487 | 789 | 5,345 | 69,230 | 139,037 |
| Accumulated depreciation | (5,028) | (14,428) | (4,806) | (696) | (2,812) | – | (27,770) |
| Net book amount | <u>30,053</u> | <u>7,677</u> | <u>1,681</u> | <u>93</u> | <u>2,533</u> | <u>69,230</u> | <u>111,267</u> |
| At 1 January 2020 | | | | | | | |
| Cost | 35,081 | 23,942 | 8,759 | 789 | 9,138 | 72,849 | 150,558 |
| Accumulated depreciation | (5,549) | (15,781) | (5,498) | (750) | (4,697) | – | (32,275) |
| Net book amount | <u>29,532</u> | <u>8,161</u> | <u>3,261</u> | <u>39</u> | <u>4,441</u> | <u>72,849</u> | <u>118,283</u> |
| Three months ended 31 March 2020 | | | | | | | |
| Opening net book amount | 29,532 | 8,161 | 3,261 | 39 | 4,441 | 72,849 | 118,283 |
| Additions | – | 219 | 20 | – | 78 | 6,608 | 6,925 |
| Depreciation charge | (174) | (696) | (328) | – | (735) | – | (1,933) |
| Closing net book amount | <u>29,358</u> | <u>7,684</u> | <u>2,953</u> | <u>39</u> | <u>3,784</u> | <u>79,457</u> | <u>123,275</u> |
| At 31 March 2020 | | | | | | | |
| Cost | 35,081 | 24,161 | 8,779 | 789 | 9,216 | 79,457 | 157,483 |
| Accumulated depreciation | (5,723) | (16,477) | (5,826) | (750) | (5,432) | – | (34,208) |
| Net book amount | <u>29,358</u> | <u>7,684</u> | <u>2,953</u> | <u>39</u> | <u>3,784</u> | <u>79,457</u> | <u>123,275</u> |

Depreciation of the Group's property, plant and equipment has been recognised as follows:

| | Year ended 31 December | | | Three months ended 31 March | |
|-------------------------------------|------------------------|-----------------|-----------------|--------------------------------|-----------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2019 RMB'000 (Unaudited) | 2020 RMB'000 |
| General and administrative expenses | 1,033 | 2,079 | 3,714 | 651 | 1,235 |
| Research and development expenses | 2,396 | 2,546 | 2,619 | 624 | 698 |
| | <u>3,429</u> | <u>4,625</u> | <u>6,333</u> | <u>1,275</u> | <u>1,933</u> |

16 Leases

(a) Amounts recognised in the statements of financial position

The statements of financial position show the following amounts relating to leases:

| | As at 31 December | | | As at 31 March |
|----------------------------|-------------------|-----------------|-----------------|-------------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2020 RMB'000 |
| Right-of-use assets | | | | |
| – Buildings | 28,130 | 44,792 | 43,657 | 43,461 |
| – Land use right | 7,549 | 7,378 | 7,207 | 7,164 |
| | <u>35,679</u> | <u>52,170</u> | <u>50,864</u> | <u>50,625</u> |
| Lease liabilities | | | | |
| – Current | 8,131 | 17,454 | 20,052 | 21,161 |
| – Non-current | 20,206 | 30,572 | 29,175 | 28,506 |
| | <u>28,337</u> | <u>48,026</u> | <u>49,227</u> | <u>49,667</u> |

Additions to the buildings in right-of-use assets for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 were nil, RMB32,521,000, RMB20,121,000 and RMB5,800,000, respectively. Additions to the land use right in right-of-use assets for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 were RMB5,535,000, nil, nil and nil respectively. The consideration of RMB5,535,000 was prepaid during the year ended 31 December 2016.

(b) Amounts recognised in profit or loss

The consolidated statements of comprehensive income show the following amounts relating to leases:

| | Year ended 31 December | | | Three months ended | |
|--|------------------------|---------|---------|--------------------|---------|
| | 2017 | 2018 | 2019 | 31 March 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| Depreciation charge of right-of-use assets | | | | | |
| – Buildings | 12,382 | 15,859 | 21,256 | 4,866 | 5,996 |
| – Land use right | 90 | 171 | 171 | 43 | 43 |
| Interest expense (included in finance costs) | 1,402 | 1,694 | 1,897 | 465 | 528 |

The total cash outflow from financing activities for leases for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020 were RMB13,579,000, RMB14,526,000, RMB20,817,000, RMB4,510,000 and RMB5,888,000 respectively, and the total cash outflow from operating activities for leases for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020 were RMB117,000, RMB292,000, RMB63,000, nil and RMB188,000 respectively.

(c) The Group's leasing activities and how these are accounted for

The Group leases certain offices and land. Rental contracts for offices are typically made for fixed periods of 7 months to 49 months. Rental contracts for land are typically made for fixed periods of 45 years to 48 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Variable lease payments

No variable payment terms are contained in the leases.

(e) Extension and termination options

Lease payments to be made under reasonably certain extension options are included in the measurement. No termination options are included in building leases across the Group.

(f) Residual value guarantees

No residual value guarantees are provided in relation to leases.

17 Intangible assets

Software licenses

RMB'000

At 1 January 2017

| | |
|--------------------------|---------|
| Cost | 3,593 |
| Accumulated amortisation | (2,360) |
| Net book amount | 1,233 |

Year ended 31 December 2017

| | |
|-------------------------|-------|
| Opening net book amount | 1,233 |
| Addition | 520 |
| Amortisation charge | (549) |
| Closing net book amount | 1,204 |

At 31 December 2017

| | |
|--------------------------|---------|
| Cost | 4,113 |
| Accumulated amortisation | (2,909) |
| Net book amount | 1,204 |

Year ended 31 December 2018

| | |
|-------------------------|-------|
| Opening net book amount | 1,204 |
| Addition | 693 |
| Amortisation charge | (534) |
| Closing net book amount | 1,363 |

At 31 December 2018

| | |
|--------------------------|---------|
| Cost | 4,806 |
| Accumulated amortisation | (3,443) |
| Net book amount | 1,363 |

Year ended 31 December 2019

| | |
|-------------------------|-------|
| Opening net book amount | 1,363 |
| Addition | 1,266 |
| Amortisation charge | (552) |
| Closing net book amount | 2,077 |

At 31 December 2019

| | |
|--------------------------|---------|
| Cost | 6,072 |
| Accumulated amortisation | (3,995) |
| Net book amount | 2,077 |

Software licenses
RMB'000

(Unaudited)

Three months ended 31 March 2019

| | |
|-------------------------|-------|
| Opening net book amount | 1,363 |
| Amortisation charge | (118) |

| | |
|-------------------------|-------|
| Closing net book amount | 1,245 |
|-------------------------|-------|

At 31 March 2019

| | |
|--------------------------|---------|
| Cost | 4,806 |
| Accumulated amortisation | (3,561) |

| | |
|-----------------|-------|
| Net book amount | 1,245 |
|-----------------|-------|

Three months ended 31 March 2020

| | |
|-------------------------|-------|
| Opening net book amount | 2,077 |
| Addition | 57 |
| Amortisation charge | (182) |

| | |
|-------------------------|-------|
| Closing net book amount | 1,952 |
|-------------------------|-------|

At 31 March 2020

| | |
|--------------------------|---------|
| Cost | 6,128 |
| Accumulated amortisation | (4,176) |

| | |
|-----------------|-------|
| Net book amount | 1,952 |
|-----------------|-------|

Amortisation of the Group's intangible assets has been recognised as follows:

| | Year ended 31 December | | | Three months ended | |
|-------------------------------------|------------------------|----------------|----------------|--------------------|----------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | (Unaudited) | |
| General and administrative expenses | 451 | 434 | 411 | 87 | 143 |
| Research and development expenses | 98 | 100 | 141 | 31 | 39 |
| | 549 | 534 | 552 | 118 | 182 |

18 Investments accounted for using the equity method

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|-----------------|-----------------|--------------------------------|-----------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2019 RMB'000 (Unaudited) | 2020 RMB'000 |
| At the beginning of the year/period | – | 256 | 233 | 233 | – |
| Addition of interests of associate (c) | – | 56 | – | – | – |
| Disposal of interests of associate (b)(d)(e) | (466) | (79) | (233) | – | – |
| Transfer from investment in a subsidiary (a) | 722 | – | – | – | – |
| At the end of the year/period | 256 | 233 | – | 233 | – |

As at 31 December 2017, 2018 and 2019 and 31 March 2020, the associate of the Group, which was accounted for using equity method, was as follows:

| Company Name | Place and date of incorporation/ establishment and kind of legal entity | Principal activities and place of operation | Registered/ issued capital | Percentage of attributable equity interest | | | | As at the date of this report |
|------------------------|---|---|----------------------------|--|----------|-------------------|----------|-------------------------------|
| | | | | As at 31 December | 31 March | As at 31 December | 31 March | |
| Mingyuan Cloud Century | PRC/ 11 October 2016 limited partnership | Employee stock holding platform PRC | RMB2,222,222/ RMB2,222,222 | 16.5% | 15.5% | N/A | N/A | N/A |

- (a) On 29 June 2017, the Group disposed of 62.5% equity interest of Mingyuan Cloud Century, in which the Group had 95% equity interests before and 32.5% equity interests after the disposal, to four individuals with consideration receivable of RMB1,388,000. Subsequent to the disposal, the Group lost control of Mingyuan Cloud Century and it became an associate of the Group. Since Mingyuan Cloud Century was an investment holding company with 20% equity interest in Ming Yuan Cloud Procurement, the transaction which was in substance disposing of non-controlling interest of Ming Yuan Cloud Procurement without loss of control should be deemed as equity transaction. Hence, approximately RMB6,656,000 was recognised in reserves resulting from the consideration of RMB1,388,000, the investment accounted for using the equity method recognised of RMB722,000, and the carrying amount of disposed non-controlling interest of negative RMB4,546,000. RMB502,000, RMB419,000, RMB467,000, nil and nil of the consideration was received during the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020, respectively. The difference between the consideration received and the then cash balance of Mingyuan Cloud Century of RMB50,000 was the net proceeds from disposal of a subsidiary.
- (b) On 20 July 2017, the Group disposed of 21% equity interest of Mingyuan Cloud Century, in which the Group had 32.5% equity interests before and 11.5% equity interests after the disposal, to several employees. Since the consideration received of RMB466,000 was the same as the carrying amount of the investments disposed, no gains or losses were recognised.
- (c) On 25 September 2018, the Group acquired 2.5% equity interest of Mingyuan Cloud Century, in which the Group had 11.5% equity interests before and 14% equity interests after the acquisition, at a cash consideration of RMB56,000, which was paid during the year of 2018.

- (d) On 25 September 2018, the Group also disposed of 3.5% equity interest of Mingyuan Cloud Century, in which the Group had 14% equity interests before and 10.5% equity interests after the disposal, to several employees. Since the consideration receivable of RMB79,000 was the same as the carrying amount of the investments disposed, no gains or losses were recognised. RMB33,000 and RMB 46,000 of the consideration were received during the year ended 31 December 2019 and the three months ended 31 March 2020.
- (e) On 17 April 2019, the Group disposed the remaining 10.5% equity interest of Mingyuan Cloud Century to one of the Group's directors, Mr. Jiang Haiyang. Since the consideration received of RMB233,000 was the same as the carrying amount of the investments disposed, no gains or losses were recognised.
- (f) The associate of the Group is unlisted and operate in the PRC. There are no contingent liabilities relating to the Group's interest in the associate.
- (g) In the opinion of the directors, Mingyuan Cloud Century is immaterial to the Group.

19 Financial instruments by category

| | As at 31 December | | | As at 31 March |
|---|-------------------|---------|---------|-------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial assets | | | | |
| Financial assets at amortised cost | | | | |
| Trade receivables (<i>Note 22</i>) | 7,055 | 16,228 | 20,962 | 20,835 |
| Prepayments and other receivables (excluding prepayments) (<i>Note 22</i>) | 6,780 | 8,845 | 10,117 | 12,859 |
| Restricted cash (<i>Note 23</i>) | 876 | 779 | 748 | 748 |
| Cash and cash equivalents (<i>Note 23</i>) | 50,165 | 447,922 | 732,207 | 708,700 |
| | 64,876 | 473,774 | 764,034 | 743,142 |
| Financial assets at FVPL (<i>Note 20</i>) | 368,641 | 41,350 | 126,163 | 42,348 |
| Financial assets at FVOCI (<i>Note 21</i>) | 15,893 | 26,554 | 32,183 | 25,485 |
| | 449,410 | 541,678 | 922,380 | 810,975 |
| Financial liabilities | | | | |
| Financial liabilities at amortised cost | | | | |
| Trade payables (<i>Note 29</i>) | 42 | 7,309 | 23,921 | 19,632 |
| Other payables and accruals (excluding accrued payroll and employee benefit expenses, VAT and surcharges payable) (<i>Note 30</i>) | 14,253 | 19,807 | 21,667 | 15,562 |
| Lease liabilities (<i>Note 16</i>) | 28,337 | 48,026 | 49,227 | 49,667 |
| | 42,632 | 75,142 | 94,815 | 84,861 |
| Financial liabilities at FVPL | | | | |
| Convertible redeemable preferred shares (<i>Note 31</i>) | — | — | 313,929 | 327,905 |
| | 42,632 | 75,142 | 408,744 | 412,766 |

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of financial assets mentioned above.

20 Financial assets at fair value through profit or loss

| | As at 31 December | | | As at 31 March |
|--|-------------------|---------------|----------------|-------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Investments in wealth management products (a) | 345,342 | – | 90,000 | – |
| Investments in unlisted equity securities (b) | 23,299 | 29,350 | 1,723 | 1,863 |
| Investments in redeemable preferred shares (c) | – | 12,000 | 34,440 | 40,485 |
| | <u>368,641</u> | <u>41,350</u> | <u>126,163</u> | <u>42,348</u> |
| Less: non-current portion | | | | |
| Investments in unlisted equity securities (b) | (23,299) | (29,350) | (1,723) | (1,863) |
| Investments in redeemable preferred shares (c) | – | (12,000) | (34,440) | (40,485) |
| | <u>345,342</u> | <u>–</u> | <u>90,000</u> | <u>–</u> |

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|---------------|---------------|--------------------------------|--------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| At the beginning of the year/period | 211,888 | 345,342 | – | – | 90,000 |
| Acquisitions | 1,844,260 | 1,743,820 | 2,550,640 | 1,082,840 | 688,030 |
| Disposals | (1,719,220) | (2,105,856) | (2,476,035) | (734,268) | (782,740) |
| Unrealised changes in fair value (Note 8) | 342 | – | – | 2,413 | – |
| Realised income (Note 8) | <u>8,072</u> | <u>16,694</u> | <u>15,395</u> | <u>758</u> | <u>4,710</u> |
| At the end of the year/period | <u>345,342</u> | <u>–</u> | <u>90,000</u> | <u>351,743</u> | <u>–</u> |

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 3.3 for details.

As at 31 December 2017 and 2019 and 31 March 2020, all wealth management products are mature within 1 year.

(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. For the fair value estimation, please refer to Note 3.3 for details.

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

| | Year ended 31 December | | | Three months ended | |
|--|------------------------|---------------|--------------|--------------------|--------------|
| | 2017 | 2018 | 2019 | 31 March 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| At the beginning of the year/period | 20,178 | 23,299 | 29,350 | 29,350 | 1,723 |
| Acquisitions | 1,600 | – | – | – | – |
| Disposals | – | – | (29,262) | – | – |
| Unrealised changes in fair value (Note 9) | 1,521 | 6,051 | (7,827) | 1,530 | 140 |
| Realised gains (Note 9) | – | – | 9,462 | – | – |
| At the end of the year/period | <u>23,299</u> | <u>29,350</u> | <u>1,723</u> | <u>30,880</u> | <u>1,863</u> |

(c) Investments in redeemable preferred shares

The Group's investments in redeemable preferred shares represent the investment in certain privately owned companies with redeemable terms. For the fair value estimation, please refer to Note 3.3 for details.

Movements of investments in redeemable preferred shares were as follows:

| | Year ended 31 December | | | Three months ended | |
|--|------------------------|---------------|---------------|--------------------|---------------|
| | 2017 | 2018 | 2019 | 31 March 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| At the beginning of the year/period | – | – | 12,000 | 12,000 | 34,440 |
| Acquisitions | – | 12,000 | 19,800 | – | – |
| Unrealised changes in fair value (Note 9) | – | – | 2,640 | – | 6,045 |
| At the end of the year/period | <u>–</u> | <u>12,000</u> | <u>34,440</u> | <u>12,000</u> | <u>40,485</u> |

On 30 October 2018, Ming Yuan Cloud Technology acquired 19.9% redeemable preferred shares in Shenzhen Woxiang Technology Co., Ltd (深圳市沃享科技有限公司, "Woxiang") at a consideration of RMB12,000,000, and the Group's interests in Woxiang was not material. Pursuant to the agreement, the Group had significant influence in Woxiang and the redeemable preferred shares should be redeemed upon request of Ming Yuan Cloud Technology by Woxiang and its controlling owner at principal and interest of 10% annual interest rate of the initial consideration upon occurrence of certain future events. Therefore, these redeemable preferred shares are not regarded as a current ownership interest in Woxiang and should be accounted for as financial assets at FVPL using IFRS 9 instead of using the equity method.

On 12 May 2019, Ming Yuan Cloud Technology acquired 6% redeemable preferred shares in Meiwu 365 (Tianjin) Technology Co., Ltd (美屋三六五(天津)科技有限公司, "Meiwu") at a consideration of RMB19,800,000, and the Group's interests in Meiwu was not material. Pursuant to the agreement, the Group had significant influence in Meiwu and the redeemable preferred shares should be redeemed upon request of Ming Yuan Cloud Technology by Meiwu at principal and interest of 10% compound annual interest rate of the initial consideration upon occurrence of certain future events. Therefore, these redeemable preferred shares are not regarded as a current ownership interest in Meiwu and should be accounted for as financial assets at FVPL using IFRS 9 instead of using the equity method.

21 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 3.3 for details.

Movements of investments in unlisted equity securities were as follows:

| | Year ended 31 December | | | Three months ended 31 March | |
|---|------------------------|-----------------|-----------------|--------------------------------|-----------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2019 RMB'000 (Unaudited) | 2020 RMB'000 |
| At the beginning of the year/period | 7,624 | 15,893 | 26,554 | 26,554 | 32,183 |
| Acquisitions | – | 6,000 | – | – | – |
| Unrealised changes in fair value (Note 25) | 8,269 | 4,661 | 5,629 | 463 | (6,698) |
| At the end of the year/period | <u>15,893</u> | <u>26,554</u> | <u>32,183</u> | <u>27,017</u> | <u>25,485</u> |

22 Trade receivables, prepayments and other receivables

| | As at 31 December | | | As at 31 March |
|---|-------------------|-----------------|-----------------|-------------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | 2020 RMB'000 |
| Trade receivables from contracts with customers | 7,511 | 17,831 | 24,237 | 24,994 |
| Less: Allowance for impairment (Note 3.1) | (456) | (1,603) | (3,275) | (4,159) |
| Trade receivables – net | <u>7,055</u> | <u>16,228</u> | <u>20,962</u> | <u>20,835</u> |
| Prepayments to suppliers | 3,915 | 4,495 | 6,145 | 13,022 |
| Prepayments for employee benefits | 1,405 | 1,452 | 3,201 | 3,303 |
| Prepaid listing expenses | – | – | 1,281 | 2,440 |
| Prepayments | <u>5,320</u> | <u>5,947</u> | <u>10,627</u> | <u>18,765</u> |
| Rental and other deposits | 3,555 | 4,948 | 6,863 | 7,220 |
| Others | 3,550 | 4,427 | 3,451 | 5,962 |
| Less: Allowance for impairment of other receivables | (325) | (530) | (197) | (323) |
| Other receivables – net | <u>6,780</u> | <u>8,845</u> | <u>10,117</u> | <u>12,859</u> |
| Trade receivables, prepayments and other receivables | 19,155 | 31,020 | 41,706 | 52,459 |
| Less: Non-current deposits | (1,452) | (3,890) | (5,034) | (4,170) |
| Current portion | <u>17,703</u> | <u>27,130</u> | <u>36,672</u> | <u>48,289</u> |

(a) Trade receivables

| | As at 31 December | | | As at 31 March |
|--|-------------------|---------------|---------------|-------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables from contracts with customers | 7,511 | 17,831 | 24,237 | 24,994 |
| Less: Allowance for impairment (Note 3.1) | (456) | (1,603) | (3,275) | (4,159) |
| | <u>7,055</u> | <u>16,228</u> | <u>20,962</u> | <u>20,835</u> |

Movements on the Group's allowance for impairment of trade receivables are disclosed in Note 3.1.

The Group normally allows 0 to 30 days credit period to its customers. Aging analysis of the trade receivables as at 31 December 2017, 2018 and 2019 and 31 March 2020, based on date of recognition, is as follows:

| | As at 31 December | | | As at 31 March |
|--------------------|-------------------|---------------|---------------|-------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Aging | | | | |
| Up to 3 months | 6,011 | 14,229 | 17,489 | 8,231 |
| 3 to 6 months | 166 | 1,353 | 1,043 | 10,815 |
| 6 months to 1 year | 705 | 818 | 926 | 1,058 |
| 1 to 2 years | 629 | 1,232 | 4,217 | 4,430 |
| Over 2 years | – | 199 | 562 | 460 |
| | <u>7,511</u> | <u>17,831</u> | <u>24,237</u> | <u>24,994</u> |

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

| | Year ended 31 December | | | Three months ended 31 March | |
|-------------------------------------|------------------------|------------|------------|--------------------------------|------------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| At the beginning of the year/period | 460 | 325 | 530 | 530 | 197 |
| Impairment provision | – | 205 | – | – | 126 |
| Reversal of impairment provision | (135) | – | (333) | (157) | – |
| At the end of the year/period | <u>325</u> | <u>530</u> | <u>197</u> | <u>373</u> | <u>323</u> |

23 Cash and cash equivalents

| | As at 31 December | | | As at 31 March |
|------------------------------|-------------------|----------------|----------------|-------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash at bank and on hand (a) | 51,041 | 448,701 | 732,955 | 709,448 |
| Less: Restricted cash (b) | (876) | (779) | (748) | (748) |
| Cash and cash equivalents | <u>50,165</u> | <u>447,922</u> | <u>732,207</u> | <u>708,700</u> |

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

| | As at 31 December | | | As at 31 March |
|-----|-------------------|----------------|----------------|-------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| RMB | 51,041 | 448,701 | 601,102 | 591,545 |
| USD | – | – | 131,843 | 117,889 |
| HKD | – | – | 10 | 14 |
| | <u>51,041</u> | <u>448,701</u> | <u>732,955</u> | <u>709,448</u> |

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

24 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 3 July 2019 (incorporation date of the Company) | – | – | – | – |
| Ordinary shares (a) | 370,987 | 371 | – | – |
| Preferred Shares (c) | – | – | 9,013 | 9 |
| As at 31 December 2019 | <u>370,987</u> | <u>371</u> | <u>9,013</u> | <u>9</u> |
| As at 1 January 2020 | 370,987 | 371 | 9,013 | 9 |
| Share Sub-Division on 31 March 2020 (e) | <u>3,338,883</u> | <u>–</u> | <u>81,117</u> | <u>–</u> |
| As at 31 March 2020 | <u>3,709,870</u> | <u>371</u> | <u>90,130</u> | <u>9</u> |

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 3 July 2019 (incorporation date of the Company) | – | – | – | – | – |
| Issuance of ordinary shares from the Reorganisation (b) | 121,990 | 122 | 107 | – | 107 |
| As at 31 December 2019 | <u>121,990</u> | <u>122</u> | <u>107</u> | <u>–</u> | <u>107</u> |
| As at 1 January 2020 | 121,990 | 122 | 107 | – | 107 |
| Issuance of ordinary shares (d) | 18,679 | 19 | 17 | – | 17 |
| Treasury shares (d) | (7,484) | (8) | – | (7) | (7) |
| Share Sub-Division on 31 March 2020 (e) | <u>1,198,665</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| As at 31 March 2020 | <u>1,331,850</u> | <u>133</u> | <u>124</u> | <u>(7)</u> | <u>117</u> |

(a) The Company was incorporated in the Cayman Islands on 3 July 2019 with authorised share capital of HKD380,000 divided into 380,000,000 shares of a par value of HKD0.001 each, among which 370,987,481 are designated as ordinary shares of a par value of HKD0.001 each, and 9,012,519 are designated as Preferred Shares of a par value of HKD0.001 each.

(b) As part of the Reorganisation (Note 1.2), 121,990,200 ordinary shares were issued on 3 July 2019.

(c) As disclosed in Note 1.2, 7,009,737 and 2,002,782 Series A Preferred Shares were issued to Profitech Investments and Glodon on 25 October 2019, respectively. Further details of the Series A Preferred Shares are set out in Note 31.

(d) The Company allotted and issued 11,194,800 and 7,484,080 ordinary shares to Beijing Chenchuang (Note 1.2(3)(b)) and MYC Marvellous Limited on 30 March 2020, respectively. As disclosed in Note 27(2), MYC Marvellous Limited is controlled by the Company and therefore the ordinary shares issued was presented as treasury shares. These treasury shares represent the shares held by employee share trust controlled by the Company for the 2020 Share Incentive Plan, which are not related to any shares that may be purchased by the Company and to be cancelled.

(e) Pursuant to a shareholder's written resolution dated 29 March 2020, with effect from 31 March 2020, each issued and unissued ordinary share and Series A Preferred Share of HKD0.001 par value of the Company be subdivided into 10 shares of HKD0.0001 par value each, such that the authorised share capital of the Company be changed from HKD380,000 divided into 380,000,000 shares of a par value of HKD0.001 each to HKD380,000 divided into 3,800,000,000 shares with a par value of HKD0.0001 each (the "Share Sub-Division"). The Share Sub-Division was effective from 31 March 2020.

25 Reserves

| | Surplus reserve RMB'000 | Exchange reserve RMB'000 | Other reserve RMB'000 | Total reserves RMB'000 |
|--|-------------------------------|--------------------------------|-----------------------------|------------------------------|
| As at 1 January 2017 | 20,498 | – | 35,774 | 56,272 |
| Transfer from financial liabilities at FVPL to equity (b) | – | – | 48,871 | 48,871 |
| Capital injection from the then shareholders of a subsidiary (a) | – | – | 33,105 | 33,105 |
| Changes in fair value of financial assets at FVOCI, net of tax (Note 21) | – | – | 7,442 | 7,442 |
| Appropriation for statutory surplus reserve (d) | 2,309 | – | – | 2,309 |
| Share-based compensation reserve (Note 27) | – | – | 19,419 | 19,419 |
| Transaction with non-controlling interests (Note 1.2(v)(vi)), (Note 18(a)) | – | – | 8,185 | 8,185 |
| As at 31 December 2017 | <u>22,807</u> | <u>–</u> | <u>152,796</u> | <u>175,603</u> |
| As at 1 January 2018 | 22,807 | – | 152,796 | 175,603 |
| Changes in fair value of financial assets at FVOCI, net of tax (Note 21) | – | – | 4,195 | 4,195 |
| Appropriation for statutory surplus reserve (d) | 17,955 | – | – | 17,955 |
| Bonus issue to the then shareholders of a subsidiary (c) | – | – | 44,395 | 44,395 |
| As at 31 December 2018 | <u>40,762</u> | <u>–</u> | <u>201,386</u> | <u>242,148</u> |
| As at 1 January 2019 | 40,762 | – | 201,386 | 242,148 |
| Shares issued pursuant to the reorganisation | – | – | (107) | (107) |
| Transaction with non-controlling interests (Note 1.2(vi)) | – | – | 8,302 | 8,302 |
| Changes in fair value of financial assets at FVOCI, net of tax (Note 21) | – | – | 5,066 | 5,066 |
| Appropriation for statutory surplus reserve (d) | 23,145 | – | – | 23,145 |
| Deemed distributions to the shareholders of the Company (Note 1.2(3)(b)) | – | – | (266,370) | (266,370) |
| Currency translation differences | – | 510 | – | 510 |
| As at 31 December 2019 | <u>63,907</u> | <u>510</u> | <u>(51,723)</u> | <u>12,694</u> |
| (Unaudited) | | | | |
| At 1 January 2019 | 40,762 | – | 201,386 | 242,148 |
| Changes in fair value of financial assets at FVOCI, net of tax (Note 21) | – | – | 416 | 416 |
| At 31 March 2019 | <u>40,762</u> | <u>–</u> | <u>201,802</u> | <u>242,564</u> |
| At 1 January 2020 | 63,907 | 510 | (51,723) | 12,694 |
| Changes in fair value of financial assets at FVOCI, net of tax (Note 21) | – | – | (6,028) | (6,028) |
| Currency translation differences | – | (4,241) | – | (4,241) |
| At 31 March 2020 | <u>63,907</u> | <u>(3,731)</u> | <u>(57,751)</u> | <u>2,425</u> |

(a) Capital injection from the then shareholders of a subsidiary

On 26 January 2017, the board of directors resolved to grant 845,000 of its shares to 12 individuals at a consideration of RMB10,562,000, which was received in 2016 in advance.

As disclosed in Note 27(1), on 16 February 2017, the board of directors resolved to grant 3,550,000 of its shares to employees of the Group at a consideration of RMB22,543,000 pursuant to the 2017 Share Award Scheme.

(b) Transfer from financial liabilities at FVPL to equity

On 26 July 2010, 1,190,000 shares were issued by Ming Yuan Cloud Technology to Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) and Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership). Pursuant to the agreement, the shares issued were redeemable by Ming Yuan Cloud Technology or the then shareholders of Ming Yuan Cloud Technology upon occurrence of certain future events. There was also a liquidation preference clause upon liquidation of Ming Yuan Cloud Technology.

The Group designated the shares as financial liabilities at FVPL. During the year of 2017, dividend of RMB2,191,000 was paid to the holders. In December 2017, a supplemental agreement was signed, under which the parties further agreed that the shares were redeemable only by the then shareholders of Ming Yuan Cloud Technology and the Group had no obligations for the redemption any more, and there would be no liquidation preference clause, therefore the instrument was reclassified as an equity instrument and initially recognised at the fair value of RMB48,871,000, while the carrying amount of financial liabilities of RMB47,024,000 was derecognised. The difference of negative RMB1,847,000 between the carrying amount of the financial liability and the initial amount of equity instrument was recognised in "other gains/(losses), net".

(c) Bonus issue to the then shareholders of a subsidiary

On 17 May 2018, a bonus issue was adopted pursuant to the written resolutions of all shareholders of Ming Yuan Cloud Technology. 44,395,000 new shares were allotted and issued at RMB1 per share upon the completion of bonus issue for issuing ten shares for every ten existing shares held on 26 April 2018.

(d) Appropriation for statutory surplus reserve

In accordance with the PRC Company Law and the articles of association, the PRC subsidiaries of the Group are required to appropriate 10% of its profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the PRC subsidiary's capital provided that the amount of surplus reserve remaining after the capitalisation shall not be less than 25% of its capital.

26 Retained earnings

Movements in retained earnings were as follows:

| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 |
|--|-----------------|--------------------------------|-----------------|
| Balance at 1 January | 133,746 | 172,060 | 60,408 |
| Profit for the year | 73,151 | 157,132 | 216,421 |
| Bonus issue to the then shareholders of a subsidiary (Note 25(c)) | – | (44,395) | – |
| Appropriation for statutory surplus reserve (Note 25(d)) | (2,309) | (17,955) | (23,145) |
| Dividend distribution to the then shareholders of a subsidiary (Note 14) | (32,528) | (206,434) | – |
| Balance at 31 December | <u>172,060</u> | <u>60,408</u> | <u>253,684</u> |
| | | 2019 RMB'000 (Unaudited) | 2020 RMB'000 |
| Balance at 1 January | | 60,408 | 253,684 |
| Profit for the period | | 5,438 | 10,055 |
| Balance at 31 March | | <u>65,846</u> | <u>263,739</u> |

27 Share-based arrangements

(1) 2017 share award scheme of Ming Yuan Cloud Technology

The Group's share award scheme in 2017 (the "2017 Share Award Scheme") was adopted pursuant to the written resolutions of all shareholders of Ming Yuan Cloud Technology on 7 March 2017 ("Date of Adoption") for the primary purpose of rewarding the directors, senior managers and employees ("Eligible Persons") of the Group for their hard work, contribution and loyalty and align their interest with those of the shareholders of the Group.

An award granted by the board of directors of Ming Yuan Cloud Technology to the Eligible Persons is a right of the relevant participant to receive the shares of Ming Yuan Cloud Technology. Share award must be taken up upon payment of RMB6.35 per share. The total number of shares granted under the 2017 Share Award Scheme is not permitted to exceed 10% of the shares of Ming Yuan Cloud Technology after the issue. The number of shares award which may be granted to any individual under the 2017 Share Award Scheme shall not exceed 1% of the total number of shares of Ming Yuan Cloud Technology after the issue.

On 16 February 2017, the board of directors resolved to grant 3,550,000 of its shares ("the Share Grants") to employees of the Group pursuant to the 2017 Share Award Scheme and such shares were immediately vested. An aggregate of 3,550,000 shares were granted pursuant to the 2017 Share Award Scheme in year 2017.

During the course of the Reorganisation, the Eligible Persons voluntarily committed to the Company to restrict the Share Grants up to a lock up period of six months after the initial public offering of the Company. There was no incremental fair value granted as a result of such changes.

The fair value of the Share Grants was estimated at RMB41,962,000 by an independent valuer based on a price of RMB11.82 per share of Ming Yuan Cloud Technology on 31 December 2016. The difference between the fair value and the subscription price of RMB22,543,000, which was RMB19,419,000, was recognised as share-based compensation during the year ended 31 December 2017.

(2) *2020 share incentive plan of Ming Yuan Cloud Group Holdings Limited (the “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, which were not yet granted to employees and therefore they were presented as treasury shares as at 31 March 2020 and had no dilutive impact and no related staff cost was recognised for the period ended 31 March 2020.

28 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

| | As at 31 December | | | As at |
|---|-------------------|----------------|----------------|----------------|
| | 2017 | 2018 | 2019 | 31 March |
| | RMB'000 | RMB'000 | RMB'000 | 2020 |
| | | | | RMB'000 |
| Deferred income tax assets: | | | | |
| – Deferred income tax assets to be recovered after more than 12 months | 2,837 | 3,440 | 4,458 | 4,192 |
| – Deferred income tax assets to be recovered within 12 months | 1,699 | 3,704 | 3,919 | 4,359 |
| | <u>4,536</u> | <u>7,144</u> | <u>8,377</u> | <u>8,551</u> |
| Set-off of deferred income tax liabilities pursuant to set-off provision | (4,135) | (6,457) | (7,512) | (7,646) |
| Net deferred income tax assets | <u>401</u> | <u>687</u> | <u>865</u> | <u>905</u> |
| Deferred income tax liabilities: | | | | |
| – Deferred income tax liability to be recovered after more than 12 months | (3,946) | (6,622) | (6,497) | (8,398) |
| – Deferred income tax liability to be recovered within 12 months | (1,135) | (2,464) | (2,529) | (432) |
| | <u>(5,081)</u> | <u>(9,086)</u> | <u>(9,026)</u> | <u>(8,830)</u> |
| Set-off of deferred income tax assets pursuant to set-off provision | 4,135 | 6,457 | 7,512 | 7,646 |
| Net deferred income tax liabilities | <u>(946)</u> | <u>(2,629)</u> | <u>(1,514)</u> | <u>(1,184)</u> |

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | As at 1 January 2017 RMB'000 | (Charged)/ credited to profit or loss RMB'000 | Charged to Reserves RMB'000 | As at 31 December 2017 RMB'000 |
|--|---|--|--|---|
| The balance comprises temporary differences attributable to: | | | | |
| Deferred income tax assets | | | | |
| – Lease liabilities | 4,772 | (1,369) | – | 3,403 |
| – Impairment provisions | 481 | 62 | – | 543 |
| – Others | 695 | (105) | – | 590 |
| | <u>5,948</u> | <u>(1,412)</u> | <u>–</u> | <u>4,536</u> |
| Deferred income tax liabilities | | | | |
| – Right-of-use assets | (4,772) | 1,540 | – | (3,232) |
| – Financial assets at FVPL | (39) | (371) | – | (410) |
| – Financial assets at FVOCI | (612) | – | (827) | (1,439) |
| | <u>(5,423)</u> | <u>1,169</u> | <u>(827)</u> | <u>(5,081)</u> |
| | As at 1 January 2018 RMB'000 | Credited/ (charged) to profit or loss RMB'000 | Charged to Reserves RMB'000 | As at 31 December 2018 RMB'000 |
| The balance comprises temporary differences attributable to: | | | | |
| Deferred income tax assets | | | | |
| – Lease liabilities | 3,403 | 2,372 | – | 5,775 |
| – Impairment provisions | 543 | 446 | – | 989 |
| – Others | 590 | (210) | – | 380 |
| | <u>4,536</u> | <u>2,608</u> | <u>–</u> | <u>7,144</u> |
| Deferred income tax liabilities | | | | |
| – Right-of-use assets | (3,232) | (2,062) | – | (5,294) |
| – Financial assets at FVPL | (410) | (1,477) | – | (1,887) |
| – Financial assets at FVOCI | (1,439) | – | (466) | (1,905) |
| | <u>(5,081)</u> | <u>(3,539)</u> | <u>(466)</u> | <u>(9,086)</u> |

| | As at 1 January 2019 RMB'000 | Credited/ (charged) to profit or loss RMB'000 | Charged to Reserves RMB'000 | As at 31 December 2019 RMB'000 |
|--|---------------------------------------|--|-----------------------------------|---|
| The balance comprises temporary differences attributable to: | | | | |
| Deferred income tax assets | | | | |
| – Lease liabilities | 5,775 | 1,422 | – | 7,197 |
| – Impairment provisions | 989 | 191 | – | 1,180 |
| – Others | 380 | (380) | – | – |
| | <u>7,144</u> | <u>1,233</u> | <u>–</u> | <u>8,377</u> |
| Deferred income tax liabilities | | | | |
| – Right-of-use assets | (5,294) | (1,069) | – | (6,363) |
| – Financial assets at FVPL | (1,887) | 1,692 | – | (195) |
| – Financial assets at FVOCI | (1,905) | – | (563) | (2,468) |
| | <u>(9,086)</u> | <u>623</u> | <u>(563)</u> | <u>(9,026)</u> |
| | | | | |
| | As at 1 January 2019 RMB'000 | (Charged)/ credited to profit or loss RMB'000 | Charged to Reserves RMB'000 | As at 31 March 2019 RMB'000 |
| (Unaudited) | | | | |
| The balance comprises temporary differences attributable to: | | | | |
| Deferred income tax assets | | | | |
| – Lease liabilities | 5,775 | (534) | – | 5,241 |
| – Impairment provisions | 989 | 237 | – | 1,226 |
| – Others | 380 | (380) | – | – |
| | <u>7,144</u> | <u>(677)</u> | <u>–</u> | <u>6,467</u> |
| | | | | |
| | As at 1 January 2019 RMB'000 | Credited/ (charged) to profit or loss RMB'000 | Charged to Reserves RMB'000 | As at 31 March 2019 RMB'000 |
| Deferred income tax liabilities | | | | |
| – Right-of-use assets | (5,294) | 603 | – | (4,691) |
| – Financial assets at FVPL | (1,887) | (648) | – | (2,535) |
| – Financial assets at FVOCI | (1,905) | – | (47) | (1,952) |
| | <u>(9,086)</u> | <u>(45)</u> | <u>(47)</u> | <u>(9,178)</u> |

| | As at 1 January 2020 RMB'000 | (Charged)/ credited to profit or loss RMB'000 | Charged to Reserves RMB'000 | As at 31 March 2020 RMB'000 |
|--|---------------------------------------|--|-----------------------------------|--------------------------------------|
| The balance comprises temporary differences attributable to: | | | | |
| Deferred income tax assets | | | | |
| – Lease liabilities | 7,197 | (107) | – | 7,090 |
| – Impairment provisions | 1,180 | 281 | – | 1,461 |
| | <u>8,377</u> | <u>174</u> | <u>–</u> | <u>8,551</u> |
| Deferred income tax liabilities | | | | |
| – Right-of-use assets | (6,363) | 165 | – | (6,198) |
| – Financial assets at FVPL | (195) | (639) | – | (834) |
| – Financial assets at FVOCI | (2,468) | – | 670 | (1,798) |
| | <u>(9,026)</u> | <u>(474)</u> | <u>670</u> | <u>(8,830)</u> |

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. The Group did not recognise deferred income tax assets of RMB36,678,000, RMB56,570,000, RMB69,213,000 and RMB72,133,000 as at 31 December 2017, 2018 and 2019 and 31 March 2020 in respect of tax losses amounting to RMB167,858,000, RMB245,825,000, RMB290,673,000 and RMB299,255,000 as at 31 December 2017, 2018 and 2019 and 31 March 2020 in certain Group's subsidiaries, which can be carried forward to offset against future taxable income, all of which will expire in 2019 to 2025 respectively.

During the Track Record Period, deferred income tax liabilities of RMB26,553,000, RMB16,624,000, RMB37,102,000 and RMB40,569,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC based on the profits for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020, respectively. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and the directors have confirmed that such earnings will not be distributed out of the PRC in the foreseeable future.

29 Trade payables

| | As at 31 December | | | As at 31 March 2020 RMB'000 |
|---------------------------------|-------------------|-----------------|-----------------|--------------------------------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | |
| Trade payables to third parties | <u>42</u> | <u>7,309</u> | <u>23,921</u> | <u>19,632</u> |

As at 31 December 2017, 2018, 2019 and 31 March 2020, the aging analysis of the trade payables based on invoice date were are follows:

| | As at 31 December | | | As at 31 March 2020 RMB'000 |
|----------------|-------------------|-----------------|-----------------|--------------------------------------|
| | 2017 RMB'000 | 2018 RMB'000 | 2019 RMB'000 | |
| Aging | | | | |
| Up to 3 months | 42 | 7,309 | 23,921 | 12,957 |
| 3 to 6 months | <u>–</u> | <u>–</u> | <u>–</u> | <u>6,675</u> |
| | <u>42</u> | <u>7,309</u> | <u>23,921</u> | <u>19,632</u> |

30 Other payables and accruals

| | As at 31 December | | | As at |
|--|-------------------|----------------|----------------|----------------|
| | 2017 | 2018 | 2019 | 31 March |
| | RMB'000 | RMB'000 | RMB'000 | 2020 |
| | | | | RMB'000 |
| Accrued payroll and employee benefit expenses | 69,062 | 125,182 | 133,423 | 86,360 |
| VAT and surcharges payable | 11,925 | 18,211 | 23,585 | 17,893 |
| Accrued listing expenses | – | – | 4,822 | 6,379 |
| Operating expenses advanced by employees | 1,334 | 9,501 | 8,152 | 1,784 |
| Commissions payable to regional channel partners | 5,733 | 3,801 | 2,091 | 1,730 |
| Deposits from regional channel partners | 1,139 | 1,406 | 1,455 | 1,456 |
| Others | 6,047 | 5,099 | 5,147 | 4,213 |
| | <u>95,240</u> | <u>163,200</u> | <u>178,675</u> | <u>119,815</u> |

31 Convertible redeemable preferred shares

As disclosed in Note 1.2, 7,009,737 and 2,002,782 Series A Preferred Shares were issued on 25 October 2019 to Profitech Investments and Glodon at a consideration amounted to USD35,000,000 (equivalent to approximately RMB244,167,000) and USD10,000,000 (equivalent to approximately RMB69,762,000), respectively. The key terms of the Series A Preferred Shares are as follows:

(a) Conversion

Each Preferred Share shall be convertible, at the option of the holder of the Preferred Share, at any time after the date of issuance of such Preferred Share, into such number of fully paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to (i) adjustment for share splits and combinations; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustments for other dividends; (iv) adjustments for reorganisations, mergers, consolidations, reclassifications, exchanges and substitutions; (v) adjustments for sale of shares below the conversion price.

In addition, without any action or consent being required by the holder of the Series A Preferred Shares and whether or not the certificates representing such Series A Preferred Shares are surrendered to the Company or its transfer agent and without the requirement to seek approval of the board or any member, each Preferred Share shall automatically be converted into ordinary shares at the then effective applicable conversion price upon the closing of a qualified initial public offering stated in the relevant investment documents.

(b) Liquidation Preference

Notwithstanding anything to the contrary in the articles, upon Liquidation Event, whether voluntarily or involuntarily, all assets and funds of the Company legally available for distribution to the members shall be distributed in the following manner, unless the holders of the Series A Preferred Shares require that all of such assets and funds shall be distributed pro rata among all the members on an as-converted basis:

Each holder of the Series A Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of shares, an amount (the "Liquidation Preference Amount") equal to the higher of (i) 100% of the applicable subscription price of all Series A Preferred Share held by such holder plus an interest calculated at a compound rate of 10% per annum thereon, minus all dividends actually received by such holder of the Series A Preferred Shares prior to such liquidation event (if any), and (ii) all assets and funds of the Company legally available for distribution to the members, multiplied by a ratio of the number of ordinary shares converted from the Series A Preferred Shares held by such holder, to the total number of ordinary shares of the Company (calculated on a fully-diluted and as-converted basis) then outstanding held by all members.

After the payment in full of the Liquidation Preference Amount, the remaining assets or funds of the Company legally available for distribution to the members shall be distributed pro rata among all members of the Company (excluding the holders of the Series A Preferred Shares) on an as-converted basis.

The liquidation events are defined to include: (i) any liquidation, dissolution or winding up of the Company; (ii) any merger, consolidation, amalgamation, scheme of arrangement or share sale involving any group company (as defined in the share purchase agreement) with or into any other person or other reorganisation in which the members or shareholders of such group company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganisation own less than fifty percent (50%) of such group company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganisation, or any transaction or series of related transactions to which such group company is a party in which in excess of fifty percent (50%) of such group company's voting power is transferred; (iii) a sale, transfer, lease or other disposition of all or substantially all of the assets of any group company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such group company); or (iv) the exclusive licensing of all or substantially all of any group company's intellectual property to a third party. There is no liquidation event triggered throughout the Track Record Period and not expected to occur in the near future.

(c) Redemption features

Subject to the provisions of the statute, the articles, the memorandum, or resolutions of the members, (i) shares may be issued on the terms that they are, or at the option of the Company, to be redeemed on such terms and in such manner as the Company, before the issuance of the shares, may by special resolution determine, and (ii) the Company may purchase its own shares (including fractions of a share), including any redeemable shares, provided that the manner of purchase has first been authorised by the Company in general meeting by special resolution and may make payment therefore in any manner authorised by the statute, including out of capital.

Within 90 days after the date on which any Series A Preferred Shareholder is aware of or is notified by the Company in writing of the occurrence of certain events, whichever is earlier, upon the written request of such Series A Preferred Shareholder, the Company shall redeem all or a portion of such outstanding Series A Preferred Shares held by such Series A Preferred Shareholder.

The redemption price for each Series A Preferred Share to be redeemed hereby shall be in the amount of: 100% of the applicable subscription price, plus interest calculated at a compound rate of 10% per annum on 100% of the applicable subscription price, beginning on the completion date and ending on the date on which the redemption price is fully paid (but no later than 30 days after receipt of the redemption notice), minus all dividends actually received by such Series A Preferred Shareholder prior to the redemption closing(if any), plus any actual tax and fees suffered by such Series A Preferred Shareholder (excluding the income tax arising from payment of the redemption price which shall be borne by such Series A Preferred Shareholder itself) in connection with any actions of reforming or restructuring of any group company which is duly approved by the board. The Redemption Price shall be calculated in USD but may be paid in any lawful currency.

(d) Dividends

If the cash reserve of the Company is less than the amount equal to the cash required for the Group companies' daily operation plus the aggregate redemption price (assuming the redemption is triggered for this purpose), unless otherwise approved by the holders of Series A Preferred Shares, the Company shall not declare any dividends or distributions on shares of the Company. If the cash reserve of the Company is more than the amount equal to the cash required for the Group companies' daily operation plus the aggregate redemption price (assuming the redemption is triggered for this purpose), the board (including the affirmative vote of director from Profitech Investments) may from time to time, after setting aside the cash required for the Group companies' daily operation plus the aggregate redemption price (assuming the redemption is triggered for this purpose), distribute the remaining dividends and distributions the members on a pro-rata basis.

(e) Voting rights

Subject to the articles, each Preferred Share shall carry such number of votes as is equal to the number of votes of ordinary shares then issuable upon the conversion of such Series A Preferred Shares. The holders of Series A Preferred Shares and the holders of ordinary shares shall vote together and not as a separate class, unless otherwise provided.

(f) Founder Parties' Liabilities

"Founders Party" means any one of the Founders and the Founder Holding Companies. A "Founder" means any of Mr. Gao Yu, Mr. Chen Xiaohui and Mr. Jiang Haiyang. A "Founder Holding Companies" means any of GHTongRui Investment Limited, HengXinYuan Investment Limited and LINGFAN Investment Limited.

If the Company plans to launch an initial public offering at a particular time and the actual pre-offering market valuation of the Company of such initial public offering is less than the pre-offering market valuation threshold of the applicable qualified initial public offering, subject to other rights of the holders of the Series A Preferred Shares, the Founder Parties shall severally and jointly pay an amount in USD in cash to each holder of Series A Preferred Share such that the post-money valuation of the Company immediately following the completion shall be adjusted to the following amount:

- (i) If the Company completes such initial public offering on or before 31 December 2020, the adjusted post-money valuation = the lower pre-offering market valuation/(1+20%);
- (ii) If the Company completes such initial public offering on or following 1 January 2021 and on or before 31 December 2021, the adjusted post-money valuation = the lower pre-offering market valuation/(1+35%); or
- (iii) If the Company completes such initial public offering on or following 1 January 2022, the adjusted post-money valuation = the lower pre-offering market valuation/(1+50%).

The lower pre-offering market valuation is equal to the actual offering price per share (i.e. the final offering price), multiplied by the total number of ordinary shares of the Company (calculated on an as-converted basis) immediately prior to such public offering. The aforesaid actual offering price and total number of ordinary shares will be appropriately adjusted for any subsequent bonus issuance, share split, consolidation, subdivision, reclassification, recapitalisation or similar arrangement of the Company.

The Founder Parties' Liabilities are considered as the Founders Parties' donation to the Company in order to avoid the Company's related obligations and thus are considered as equity. The fair value of Founder Parties' Liabilities is immaterial on 25 October 2019 and 31 December 2019.

The Group monitors Series A Preferred Shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any embedded derivatives from the host instruments and designates entire instruments as a financial liability at FVPL with the changes in the fair value recorded in the profit or loss. The Series A Preferred Shares were classified as current liabilities because the certain events which are redemption condition were estimated to occur within one year.

The movements of the Series A Preferred Shares are set out as below:

| | |
|---------------------------------------|----------------|
| | <i>RMB'000</i> |
| As at 3 July 2019 | |
| (incorporation date of the Company) | – |
| Issuance of Series A Preferred Shares | 313,929 |
| | <hr/> |
| As at 31 December 2019 | 313,929 |
| | <hr/> <hr/> |
| | <i>RMB'000</i> |
| As at 1 January 2020 | 313,929 |
| Fair value changes | 8,987 |
| Currency translation differences | 4,989 |
| | <hr/> |
| As at 31 March 2020 | 327,905 |
| | <hr/> <hr/> |

The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the Series A Preferred Shares. Key assumptions are set as below:

| | As at 31 December 2019 | As at 31 March 2020 |
|------------------------------------|------------------------------|---------------------------|
| Discount rate | 16.38% | 16.50% |
| Risk-free interest rate | 2.80% | 1.97% |
| Discount for lack of control | 20.89% | 20.89% |
| Discount for lack of marketability | 25.55% | 23.07% |
| Expected volatility | 47.00% | 53.00% |

In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares on each appraisal date.

Increasing/Decreasing expected volatility by 5% would increase/decrease the fair value of Series A Preferred Shares by RMB2,217,000 and RMB2,431,000 respectively. Increasing/Decreasing discount rate by 1% would decrease/increase the fair value by RMB18,996,000 and RMB22,523,000 respectively.

32 Cash flow information

(a) Cash generated from operations

| | Year ended 31 December | | | Three months ended 31 March | |
|--|------------------------|----------|----------|-----------------------------|----------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | | | | |
| Profit before income tax | 83,282 | 178,392 | 242,378 | 7,605 | 15,979 |
| Adjustments for: | | | | | |
| Depreciation of right-of-use assets | 12,472 | 16,030 | 21,427 | 4,909 | 6,039 |
| Depreciation of property, plant and equipment | 3,429 | 4,625 | 6,333 | 1,275 | 1,933 |
| Net impairment losses on financial assets and contract assets | 491 | 4,041 | 2,139 | 1,999 | 2,758 |
| Finance costs – net | 3,463 | 1,907 | 1,713 | 394 | 57 |
| Amortisation of intangible assets | 549 | 534 | 552 | 118 | 182 |
| Net (gains)/losses on disposals of property, plant and equipment | (16) | 54 | 26 | – | – |
| Share-based compensation | 19,419 | – | – | – | – |
| Fair value losses on transfer from financial liabilities at FVPL to equity | 1,847 | – | – | – | – |
| Fair value gains on financial assets at FVPL | (1,521) | (6,051) | (4,275) | (1,530) | (6,185) |
| Fair value changes on financial liabilities at FVPL | – | – | – | – | 8,987 |
| Income from wealth management products | (8,414) | (16,694) | (15,395) | (3,171) | (4,710) |
| Operating cashflows before movements in working capital | 115,001 | 182,838 | 254,898 | 11,599 | 25,040 |
| Change in working capital: | | | | | |
| (Increase)/decrease in trade receivables | (382) | (10,637) | (6,406) | 2,099 | (757) |
| (Increase)/decrease in contract acquisition costs | (13,544) | (29,188) | (43,191) | 1,381 | 1,040 |
| Increase in contract assets | (1,127) | (4,744) | (13,413) | (4,535) | (10,703) |
| (Increase)/decrease in restricted cash | (177) | 97 | 31 | – | – |
| Decrease/(increase) in prepayments and other receivables | 3,267 | (3,238) | (6,043) | (5,639) | (10,443) |
| Increase in inventories | (11) | (203) | (39) | (31) | (185) |
| Increase/(decrease) in trade payables | 24 | 7,267 | 16,612 | (2,260) | (4,289) |
| Increase/(decrease) in contract liabilities | 74,184 | 86,864 | 128,656 | (12,134) | (41,727) |
| Increase/(decrease) in other payables and accruals | 32,794 | 69,193 | 19,092 | (65,753) | (57,583) |
| Cash generated from/(used in) operations | 210,029 | 298,249 | 350,197 | (75,273) | (99,607) |

(b) Non-cash investing and financing activities

There were no material non-cash investing and financing transactions except for the additions of the right-of-use assets (Note 16(a)) for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2019 and 2020.

(c) Reconciliation of liabilities generated from financing activities

This section sets out an analysis of net cash and the movements in net cash for the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020.

| Net cash | Year ended 31 December | | | Three months ended 31 March |
|------------------------------|------------------------|----------------|----------------|-----------------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash and cash equivalents | 50,165 | 447,922 | 732,207 | 708,700 |
| Restricted cash | 876 | 779 | 748 | 748 |
| Liquid investments (Note i) | 345,342 | – | 90,000 | – |
| Liquid liabilities (Note ii) | – | – | (313,929) | (327,905) |
| Lease liabilities | (28,337) | (48,026) | (49,227) | (49,667) |
| Net cash | <u>368,046</u> | <u>400,675</u> | <u>459,799</u> | <u>331,876</u> |

- (i) Liquid investments comprise the Group's investments in wealth management products included in financial assets at FVPL. See Note 20(a) for details.
- (ii) Liquid liabilities comprise the Group's financial liabilities at FVPL including convertible redeemable preferred shares described in Note 31.

| | Cash and cash equivalent | Restricted cash | Liquid investments | Liquid liabilities | Lease liabilities | Total |
|---------------------------------|--------------------------|-----------------|--------------------|--------------------|-------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Net cash as at 1 January 2017 | 20,920 | 699 | 211,888 | (58,884) | (40,514) | 134,109 |
| Cash flows | 29,245 | 177 | 133,112 | 11,860 | 13,579 | 187,973 |
| Non-cash movement | – | – | 342 | 47,024 | (1,402) | 45,964 |
| Net cash as at 31 December 2017 | <u>50,165</u> | <u>876</u> | <u>345,342</u> | <u>–</u> | <u>(28,337)</u> | <u>368,046</u> |
| Net cash as at 1 January 2018 | 50,165 | 876 | 345,342 | – | (28,337) | 368,046 |
| Cash flows | 397,757 | (97) | (345,342) | – | 14,526 | 66,844 |
| Non-cash movement | – | – | – | – | (34,215) | (34,215) |
| Net cash as at 31 December 2018 | <u>447,922</u> | <u>779</u> | <u>–</u> | <u>–</u> | <u>(48,026)</u> | <u>400,675</u> |

| | Cash and cash equivalent <i>RMB'000</i> | Restricted cash <i>RMB'000</i> | Liquid investments <i>RMB'000</i> | Liquid liabilities <i>RMB'000</i> | Lease liabilities <i>RMB'000</i> | Total <i>RMB'000</i> |
|---------------------------------|--|--------------------------------------|---|---|--|-------------------------|
| Net cash as at | | | | | | |
| 1 January 2019 | 447,922 | 779 | – | – | (48,026) | 400,675 |
| Cash flows | 285,705 | (31) | 90,000 | (313,929) | 20,817 | 82,562 |
| Foreign exchange adjustments | (1,420) | – | – | – | – | (1,420) |
| Non-cash movement | – | – | – | – | (22,018) | (22,018) |
| Net cash as at | | | | | | |
| 31 December 2019 | <u>732,207</u> | <u>748</u> | <u>90,000</u> | <u>(313,929)</u> | <u>(49,227)</u> | <u>459,799</u> |
| (Unaudited) | | | | | | |
| Net cash as at | | | | | | |
| 1 January 2019 | 447,922 | 779 | – | – | (48,026) | 400,675 |
| Cash flows | (434,718) | – | 349,330 | – | 4,510 | (80,878) |
| Foreign exchange adjustments | – | – | – | – | – | – |
| Non-cash movement | – | – | 2,413 | – | (465) | 1,948 |
| Net cash as at | | | | | | |
| 31 March 2019 | <u>13,204</u> | <u>779</u> | <u>351,743</u> | <u>–</u> | <u>(43,981)</u> | <u>321,745</u> |
| Net cash as at | | | | | | |
| 1 January 2020 | 732,207 | 748 | 90,000 | (313,929) | (49,227) | 459,799 |
| Cash flows | (23,256) | – | (90,000) | – | 5,888 | (107,368) |
| Foreign exchange adjustments | (251) | – | – | (4,989) | – | (5,240) |
| Fair value changes | – | – | – | (8,987) | – | (8,987) |
| Non-cash movement | – | – | – | – | (6,328) | (6,328) |
| Net cash as at | | | | | | |
| 31 March 2020 | <u>708,700</u> | <u>748</u> | <u>–</u> | <u>(327,905)</u> | <u>(49,667)</u> | <u>331,876</u> |

33 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 31 December | | | As at |
|---------------------------|-------------------|----------------|----------------|----------------|
| | 2017 | 2018 | 2019 | 31 March |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Assets under construction | <u>–</u> | <u>–</u> | <u>37,618</u> | <u>30,835</u> |

(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 31 December | | | As at 31 March |
|---------------|-------------------|---------|---------|-------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year | 292 | – | 691 | 502 |

34 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 years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020:

(a) Related party transactions

On 22 March 2017, 1.5% equity interest in Ming Yuan Cloud Client was disposed by the Group to Mr. Yao Wu at a cash consideration of RMB150,000. See Note 1.2(v) for details.

On 26 June 2017, the Group acquired an additional 5% equity interest in Ming Yuan Cloud Shengshi at a cash consideration of RMB100,000 from Mr. Jiang Haiyang. See Note 1.2(vi) for details.

On 17 April 2019, the Group disposed of the 10.5% equity interest in Mingyuan Cloud Century to Mr. Jiang Haiyang at a cash consideration of RMB233,000. See Note 18(e) for details.

(b) Key management personnel compensation

| | Year ended 31 December | | | Three months ended 31 March | |
|---|------------------------|---------|---------|--------------------------------|---------|
| | 2017 | 2018 | 2019 | 2019 | 2020 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| Salaries, wages, and bonuses | 4,710 | 6,140 | 4,451 | 868 | 883 |
| Pension costs – defined contribution plans | 215 | 239 | 209 | 63 | 22 |
| Other social security costs, housing benefits and other employee benefits | 298 | 292 | 254 | 62 | 53 |
| Share-based compensation | 1,039 | – | – | – | – |
| | 6,262 | 6,671 | 4,914 | 993 | 958 |

35 Notes to the statements of financial position of the Company**(1) Interests in subsidiaries**

| | As at 31 December 2019 RMB'000 | As at 31 March 2020 RMB'000 |
|-----------------------------------|---|--------------------------------------|
| Amounts due from subsidiaries (a) | 269,551 | 274,591 |
| Investments in a subsidiary (b) | 14,873 | 15,170 |
| | <u>284,424</u> | <u>289,761</u> |

(a) It represents the amounts due from Ming Yuan Cloud Investment and the Company does not intend to collect in near future.

(b) It represents the cost of investments in Earl Dazzle amounting to USD2,121,000.

(2) Cash and cash equivalents

| | As at 31 December 2019 RMB'000 | As at 31 March 2020 RMB'000 |
|-------------------------|---|--------------------------------------|
| Cash at bank (Note (a)) | <u>110,779</u> | <u>112,093</u> |

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

| | As at 31 December 2019 RMB'000 | As at 31 March 2020 RMB'000 |
|-----|---|--------------------------------------|
| USD | 110,779 | 112,083 |
| HKD | <u>—</u> | <u>10</u> |
| | <u>110,779</u> | <u>112,093</u> |

(3) Other payables and accruals

(a) It represents the amounts due to Ming Yuan Cloud Technology, Ming Yuan Cloud Calculation and Mingyuan Cloud Technology (Hong Kong) Limited.

36 Contingent Liabilities

The Group had no material contingent liabilities outstanding as at 31 December 2017, 2018 and 2019 and 31 March 2020.

37 Subsequent events

In April 2020, restricted share units (the “RSUs”) under the 2020 Share Incentive Plan to subscribe for an aggregate of 21,100,000 outstanding shares of the Company were granted to 40 employees of the Group and should be vested subject to the terms of such plan.

Saved as disclosed above, there were no other material subsequent events took place after 31 March 2020.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Company or other companies now comprising the Group in respect of any period subsequent to 31 March 2020.

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as at 31 March 2020 as if the Global Offering had taken place on 31 March 2020.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as of 31 March 2020 or any future date.

| | Audited Consolidated Net Tangible Assets of the Group Attributable to Owners of the Company as at 31 March 2020 <i>Note 1</i> RMB'000 | Estimated Net Proceeds from the Global Offering <i>Note 2</i> RMB'000 | Estimated Impact to the Net Assets upon the Conversion of the Convertible Redeemable Preferred Shares <i>Note 3</i> RMB'000 | Unaudited Pro Forma Adjusted Net Tangible Assets Attributable to Owners of the Company as at 31 March 2020 <i>Note 4</i> RMB'000 | Unaudited Pro Forma Adjusted Net Tangible Assets per Share <i>Note 5</i> RMB | Adjusted Net Tangible Assets per Share HKD |
|--|---|--|---|---|---|---|
| Based on an Offer Price of HK\$15.00 per Share | 264,329 | 4,739,219 | 327,905 | 5,331,453 | 2.85 | 3.23 |
| Based on an Offer Price of HK\$16.50 per Share | 264,329 | 5,216,979 | 327,905 | 5,809,213 | 3.10 | 3.52 |

Notes:

- The audited consolidated net tangible assets attributable to owners of the Company as at 31 March 2020 is extracted from the historical financial information contained in the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 31 March 2020 of approximately RMB266,281,000 with an adjustment for the intangible assets attributable to owners of the Company as at 31 March 2020 of approximately RMB1,952,000.

2. The estimated net proceeds from the Global Offering are based on 374,204,000 Shares and the indicative Offer Prices of HK\$15.00 per Share and HK\$16.50 per Share, being the low end to high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses paid or payable by the Company, excluding listing expenses of approximately RMB7,107,000 which has been accounted for in the consolidated statements of comprehensive income up to 31 March 2020. It does not take into account of any Shares which may be issued pursuant to the Over-allotment Option, the exercise of the RSUs granted under the Share Incentive Plan, or any Shares that may be issued and repurchased by the Company pursuant to the general mandates.
3. Upon the Listing and the Global Offering, the convertible redeemable preferred shares will have been automatically converted to 9,012,519 Shares under which the carrying amounts of the convertible redeemable preferred shares recorded as a liability of the Company will be transferred to the Company's equity. Such adjustment represents the impact of conversion on the unaudited pro forma net tangible assets of the Group should the issuance of additional shares and conversion of the convertible redeemable preferred shares had taken place on March 31, 2020.
4. The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,871,019,990 Shares were in issue assuming that the Global Offering (including the completion of the conversion of the convertible redeemable preferred shares into ordinary shares) had been completed on 31 March 2020 but taking no account of any Shares which may be allotted and issued pursuant to the Over-allotment Option, the grant of the RSUs under the Share Incentive Plan, or any Shares that may be issued and repurchased by the Company pursuant to the general mandates.
5. For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.88203 to HKD1.00, as set out in "Information about this Prospectus and the Global Offering" to this prospectus. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
6. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2020.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Ming Yuan Cloud Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ming Yuan Cloud Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 15 September 2020, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 March 2020 as if the proposed initial public offering had taken place at 31 March 2020. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 31 March 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

15 September 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 3, 2019 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “Memorandum”) and its Amended and Restated Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on September 4, 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him. Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the “Listing Rules”) that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange or by electronic means or other means in such manner as may be accepted by the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended in respect of any year if approved by the members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect

of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable or that based on legal opinions provided by legal advisers, the board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the

nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Articles within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the Listing Rules. A meeting of members or any class thereof may be held by means of such telephone, electronic or other communication facilities and participation in such a meeting shall constitute presence at such meeting.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to

proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during

any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes

of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares

(subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Court ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from July 5, 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority

of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the Court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on July 3, 2019. Our registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Accordingly, our Company's corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in the section headed "Summary of the Constitution of the Company and Cayman Company Law – 2. Articles of Association" in Appendix III to this prospectus.

Our registered place of business in Hong Kong is Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on October 11, 2019 with the Registrar of Companies in Hong Kong. Mr. Chiu Ming King (趙明璟) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

Our Company's head office is located at 501-509, East Block, Skyworth Semiconductor Design Building, 18 Gaoxin South 4th Road, Gaoxin Community, Yuehai Subdistrict, Nanshan District, Shenzhen, PRC.

2. Changes in the Share Capital

As of the date of incorporation of our Company, our authorized share capital was HK\$380,000, divided into 380,000,000 shares of a nominal or par value of HK\$0.001.

Since the incorporation of our Company, the following changes in our Company's issued share capital were implemented:

- (a) On July 3, 2019, our Company issued Shares with a par value of HK\$0.001 each in the following manner:
 - (i) 39,552,360 ordinary Shares to GHTongRui Investment Limited;
 - (ii) 29,664,480 ordinary Shares to HengXinYuan Investment Limited;
 - (iii) 18,682,660 ordinary Shares to LINGFAN Investment Limited;
 - (iv) 4,832,100 ordinary Shares to JIABAOSZ Investment Limited;
 - (v) 12,856,280 ordinary Shares to MYC United Power Investment Holdings Limited;

- (vi) 10,552,320 ordinary Shares to MYC Brilliant Alliance Investment Holdings Limited;
 - (vii) 1,980,000 ordinary Shares to MYC Prosperity Investment Holdings Limited; and
 - (viii) 3,870,000 ordinary Shares to MYC Blooming Success Investment Holdings Limited.
- (b) On October 25, 2019, our Company issued the Series A Preferred Shares in the following manner:
- (i) 7,009,737 Series A Preferred Shares to Profitech Investments; and
 - (ii) 2,002,782 Series A Preferred Shares to Glodon (Hongkong) Software Limited.
- (c) On March 30, 2020, our Company issued 11,194,800 ordinary Shares and 7,484,080 ordinary Shares to Beijing Chenchuang and MYC Marvellous Limited, respectively.
- (d) The Share Subdivision.

Each Series A Preferred Share will be converted into ordinary share at the conversion ratio of 1:1 by way of redesignation immediately prior to the completion of the Global Offering.

Save as disclosed herein, there has been no alteration in our share capital and no redemption, repurchase or sale of any of our share capital since our incorporation.

3. Resolutions of our Shareholders

At an extraordinary general meeting of our Company held on September 4, 2020, resolutions of our Shareholders were passed, pursuant to which, among others:

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;
- (b) conditional upon all the conditions set out in “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus being fulfilled:
 - (i) the Global Offering was approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect the same as it thinks fit;

- (ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the Global Offering; and
 - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the price per Offer Share with the Joint Bookrunners.
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to the Global Offering or pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the number of the Shares in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;
- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the number of the Shares in issue immediately following the completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;
- (e) the general mandate mentioned in paragraph (c) above be extended by the addition to the number of the Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (d) above; and

- (f) Immediately prior to the completion of the Global Offering, each of the Series A Preferred Shares be converted into ordinary shares at the conversion ratio of 1:1 by way of redesignation.

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. See the section headed “History, Reorganization and Corporate Structure” in this prospectus for information relating to the Reorganization.

5. Changes in the Capital of our Subsidiaries

Our subsidiaries during the Track Record Period are referred to in the Accountant’s Report set out in Appendix I to this prospectus. The following alterations in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus.

Ming Yuan Cloud Technology

On June 25, 2018, the registered capital of Ming Yuan Cloud Technology was increased from RMB44,395,000 to RMB133,185,000.

On July 19, 2019, the registered capital of Ming Yuan Cloud Technology was increased from RMB133,185,000 to RMB140,194,737.

Save as disclosed above, there have been no alterations in the capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of our Own Securities

(a) Provisions of the Listing Rules

Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders’ approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution of our Company passed at an extraordinary general meeting of our Company held on September 4, 2020, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue immediately following the completion of the Global Offering until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be canceled and destroyed.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 1,871,019,990 Shares in issue immediately following the completion of the Global Offering, could accordingly result in 187,101,999 Shares being repurchased by our Company during the period prior to the earliest occurrence of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of Hong Kong to be held; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting (the “**Relevant Period**”).

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong. Our Company have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the shareholders agreement of our Company dated October 25, 2019 entered into among our Company, Ming Yuan Cloud Investment Limited, Polaris Cloud Technology Limited (北極星雲科技有限公司), Shenzhen Northern Lights Cloud Technology Co., Ltd. (深圳市北極光雲科技有限公司), Ming Yuan Cloud Technology, Shenzhen Mingyuan Yunlian Electronic Commerce Co., Ltd. (深圳市明源雲鏈電子商務有限公司), Wuhan Ming Yuan Power, Ming Yuan Cloud Calculation, Wuhan Ming Yuan Excel, Wuhan Ming Yuan Cloud Technology, Ming Yuan Cloud Space, Ming Yuan Cloud Client, Ningbo Meishan Bonded Port Area Mingyuan Shengshi Investment Co. Ltd. (寧波梅山保稅港區明源盛世投資有限公司), Shenzhen Mingyuan Cloud Shengshi Investment Partnership (Limited Partnership) (深圳市明源雲盛世投資合夥企業(有限合夥)), Shenzhen Zhijian Yinli Hudong Technology Co., Ltd. (深圳市指尖引力互動科技有限公司), GHTongRui Investment Limited, HengXinYuan Investment Limited, LINGFAN Investment Limited, Mr. Gao, Mr. Chen, Mr. Jiang, JIABAOSZ Investment Limited, MYC Brilliant Alliance Investment Holdings Limited, MYC United Power Investment Holdings Limited, MYC Prosperity Investment Holdings Limited, MYC Blooming Success Investment Holdings Limited, Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)), Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited

Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)), Shenzhen Dachen Caizhi Venture Capital Investment Management Limited (深圳市達晨財智創業投資管理有限公司), PROFITECH INVESTMENTS LIMITED and Glodon (Hongkong) Software Limited, pursuant to which shareholder rights were agreed among the parties;

- (b) the supplemental agreement to supplement certain terms under the shareholders agreement mentioned in (a) above dated March 30, 2020 entered into among our Company, Ming Yuan Cloud Investment Limited, Polaris Cloud Technology Limited (北極星雲科技有限公司), Shenzhen Northern Lights Cloud Technology Co., Ltd. (深圳市北極光雲科技有限公司), Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement, Wuhan Ming Yuan Power, Ming Yuan Cloud Calculation, Wuhan Ming Yuan Excel, Wuhan Ming Yuan Cloud Technology, Ming Yuan Cloud Space, Ming Yuan Cloud Client, Ningbo Meishan Bonded Port Area Mingyuan Shengshi Investment Co. Ltd. (寧波梅山保稅港區明源盛世投資有限公司), Shenzhen Mingyuan Cloud Shengshi Investment Partnership (Limited Partnership) (深圳市明源雲盛世投資合夥企業(有限合夥)), Shenzhen Zhijian Yinli Hudong Technology Co., Ltd. (深圳市指尖引力互動科技有限公司), GHTongRui Investment Limited, HengXinYuan Investment Limited, LINGFAN Investment Limited, Mr. Gao, Mr. Chen, Mr. Jiang, JIABAOSZ Investment Limited, MYC Brilliant Alliance Investment Holdings Limited, MYC United Power Investment Holdings Limited, MYC Prosperity Investment Holdings Limited, MYC Blooming Success Investment Holdings Limited, Tianjin Dachen Chuangshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨創世股權投資基金合夥企業(有限合夥)), Tianjin Dachen Shengshi Equity Investment Fund Partnership (Limited Partnership) (天津達晨盛世股權投資基金合夥企業(有限合夥)), Shenzhen Dachen Caizhi Venture Capital Investment Management Limited (深圳市達晨財智創業投資管理有限公司), PROFITECH INVESTMENTS LIMITED and Glodon (Hongkong) Software Limited;
- (c) an exclusive business cooperation agreement dated December 16, 2019 entered into between Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement, pursuant to which Ming Yuan Cloud Procurement agreed to engage Ming Yuan Cloud Technology as its exclusive service provider of technical support and consulting services;
- (d) an exclusive option agreement dated December 16, 2019 entered into between Ming Yuan Cloud Technology, the Relevant Shareholders, Ming Yuan Cloud Procurement and Shenzhen Mingyuan Cloud Tai Qi Investment Partnership (Limited Partnership) (深圳市明源雲泰啟投資合夥企業(有限合夥)), pursuant to which Ming Yuan Cloud Technology is granted an irrevocable and exclusive right to purchase, or designate a person or persons to purchase: (i) all or part of the equity interest in Ming Yuan Cloud Procurement held by the Relevant Shareholders; and/or (ii) from Ming Yuan Cloud Procurement, all or part of its assets;

- (e) an equity pledge agreement dated December 16, 2019 entered into between Ming Yuan Cloud Technology, the Relevant Shareholders and Ming Yuan Cloud Procurement, pursuant to which the Relevant Shareholders will pledge all of their respective equity interests in Ming Yuan Cloud Procurement to Ming Yuan Cloud Technology to secure the obligations under the exclusive business cooperation agreement, exclusive option agreement and powers of attorney, as summarized in paragraphs (c) and (d) above and paragraphs (f) to (h) below, respectively;
- (f) a power of attorney dated December 16, 2019 entered into between Mr. Gao, Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement, pursuant to which Mr. Gao will appoint Ming Yuan Cloud Technology or any entities designated by it (including directors of its offshore holding company and their successors and any liquidator replacing the directors of the parent company), as his exclusive attorney to exercise all of his rights as a shareholder of Ming Yuan Cloud Procurement;
- (g) a power of attorney dated December 16, 2019 entered into between Mr. Chen, Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement, pursuant to which Mr. Chen will appoint Ming Yuan Cloud Technology or any entities designated by it (including directors of its offshore holding company and their successors and any liquidator replacing the directors of the parent company), as his exclusive attorney to exercise all of his rights as a shareholder of Ming Yuan Cloud Procurement;
- (h) a power of attorney dated December 16, 2019 entered into between Mr. Jiang, Ming Yuan Cloud Technology and Ming Yuan Cloud Procurement, pursuant to which Mr. Jiang will appoint Ming Yuan Cloud Technology or any entities designated by it (including directors of its offshore holding company and their successors and any liquidator replacing the directors of the parent company), as his exclusive attorney to exercise all of his rights as a shareholder of Ming Yuan Cloud Procurement;
- (i) an undertaking dated December 16, 2019 entered into by Ms. Huang Xi (黃曦), pursuant to which, she undertakes that, among others, (i) Mr. Gao's interests in Ming Yuan Cloud Procurement (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she has no right to such interests and will not have any claim on such interests;
- (j) an undertaking dated December 16, 2019 entered into by Ms. Luo Meihua (羅美華), pursuant to which, she undertakes that, among others, (i) Mr. Chen's interests in Ming Yuan Cloud Procurement (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she has no right to such interests and will not have any claim on such interests;
- (k) an undertaking dated December 16, 2019 entered into by Ms. Peng Zhaoyu (彭朝宇), pursuant to which, she undertakes that, among others, (i) Mr. Jiang's interests in Ming Yuan Cloud Procurement (together with any other interests therein) do not fall within the scope of communal properties, and (ii) she has no right to such interests and will not have any claim on such interests;

- (l) the cornerstone investment agreement dated September 10, 2020 entered into between the Company, Gaoling Fund, L.P., YHG Investment, L.P., China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed “Cornerstone Investors” in this prospectus;
- (m) the cornerstone investment agreement dated September 10, 2020 entered into between the Company, GIC Private Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed “Cornerstone Investors” in this prospectus;
- (n) the cornerstone investment agreement dated September 8, 2020 entered into between the Company, China Structural Reform Fund Corporation Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed “Cornerstone Investors” in this prospectus;
- (o) the cornerstone investment agreement dated September 10, 2020 entered into between the Company, SCC Growth VI Holdco F, Ltd., China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed “Cornerstone Investors” in this prospectus;
- (p) the cornerstone investment agreement dated September 10, 2020 entered into between the Company, BlackRock Strategic Funds – BlackRock Asia Pacific Absolute Return Fund, BlackRock Global Funds – China Fund, BlackRock Global Funds – China Flexible Equity Fund, BlackRock Emerging Frontiers Fund Limited – CS Investment Portfolio, BlackRock Science and Technology Trust II and BlackRock Global Funds – Next Generation Technology Fund, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed “Cornerstone Investors” in this prospectus;
- (q) the cornerstone investment agreement dated September 10, 2020 entered into between the Company, FIL Investment Management (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, details of which are included in the section headed “Cornerstone Investors” in this prospectus; and
- (r) the Hong Kong Underwriting Agreement.





2. Intellectual Property Rights of our Group

(a) Trademarks



As of the Latest Practicable Date, our Group had registered the following trademarks in the PRC which we consider to be material to our Group's business:

| Trademark | Place of registration | Registered owner |
|---|-----------------------|----------------------------|
|  | PRC | Ming Yuan Cloud Technology |
|  | PRC | Ming Yuan Cloud Technology |
|  | PRC | Ming Yuan Cloud Technology |
|  | PRC | Ming Yuan Cloud Technology |
|  | PRC | Ming Yuan Cloud Technology |
|  | PRC | Ming Yuan Cloud Technology |
|  | PRC | Ming Yuan Cloud Space |
|  | PRC | Ming Yuan Cloud Technology |

As of the Latest Practicable Date, our Group had made applications to register the following trademarks in the PRC which we consider to be material to our Group's business:

| Trademark | Place of application | Applicant |
|---|----------------------|----------------------------|
|  | PRC | Ming Yuan Cloud Technology |
|  | PRC | Ming Yuan Cloud Technology |
|  | PRC | Ming Yuan Cloud Technology |
|  | PRC | Ming Yuan Cloud Technology |

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong which we consider to be material to our Group's business:

| Trademark | Place of registration | Registered owner |
|---|-----------------------|------------------|
|  | Hong Kong | our Company |
|  | Hong Kong | our Company |

(b) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be material to our Group's business:

| Domain name | Registered owner | Expiry date |
|--------------------|-----------------------------|--------------------|
| mingyuanyun.com | Ming Yuan Cloud Technology | February 15, 2021 |
| mingyuanyun.com.cn | Wuhan Ming Yuan Power | February 15, 2021 |
| myyunk.com | Ming Yuan Cloud Client | June 3, 2021 |
| myscrm.cn | Ming Yuan Cloud Technology | March 22, 2021 |
| myykj.com.cn | Ming Yuan Cloud Space | September 20, 2022 |
| mycaigou.com | Ming Yuan Cloud Procurement | December 11, 2021 |
| mydcyj.com | Ming Yuan Cloud Technology | December 11, 2020 |
| myyunlian.com | Ming Yuan Cloud Procurement | May 5, 2021 |
| mypaas.com.cn | Ming Yuan Cloud Space | March 28, 2024 |
| myysq.com.cn | Wuhan Ming Yuan Power | June 9, 2021 |

(c) Patents

As of the Latest Practicable Date, our Group had registered the following patents which we consider to be material to our Group's business:

| Title | Place of registration | Registered owner |
|--|------------------------------|----------------------------|
| Data update method, device and terminal equipment (數據更新方法、裝置及終端設備) | PRC | Ming Yuan Cloud Technology |
| Data acquisition method, device and terminal equipment (數據獲取方法、裝置及終端設備) | PRC | Ming Yuan Cloud Technology |

As of the Latest Practicable Date, our Group had made applications to register the following patents which we consider to be material to our Group's business:

| Title | Place of application | Applicant |
|---|-----------------------------|----------------------------|
| Data Synchronisation method, device and terminal equipment (數據同步方法、裝置及終端設備) | PRC | Ming Yuan Cloud Technology |
| Deployment method and device for application service (應用服務的部署方法及裝置) | PRC | Ming Yuan Cloud Technology |
| Data acquisition method, collection device, terminal equipment and readable storage medium (數據採集方法、採集裝置、終端設備及可讀存儲介質) | PRC | Ming Yuan Cloud Technology |
| A data acquisition method, device, terminal equipment and storage medium (一種數據採集方法、裝置、終端設備及存儲介質) | PRC | Ming Yuan Cloud Technology |
| A link monitoring method, device, monitoring equipment and storage medium (一種鏈路監控方法、裝置、監控設備及存儲介質) | PRC | Ming Yuan Cloud Technology |
| Web application development method, device, server and development terminal (web應用開發方法、裝置、服務器及開發終端) | PRC | Ming Yuan Cloud Technology |

| Title | Place of application | Applicant |
|---|----------------------|----------------------------|
| A data processing method, device, terminal and storage medium (一種數據處理方法、裝置、終端及存儲介質) | PRC | Ming Yuan Cloud Technology |
| A data bank annotation method, device and terminal equipment (一種數據庫註釋方法、裝置及終端設備) | PRC | Ming Yuan Cloud Technology |
| A customer type identification method, device and equipment (一種客戶類型識別方法、裝置及設備) | PRC | Ming Yuan Cloud Client |
| A customer type detection method, device and equipment (一種客戶類型檢測方法、裝置及設備) | PRC | Ming Yuan Cloud Client |
| A transaction data detection method, device and equipment (一種交易數據檢測方法、裝置及設備) | PRC | Ming Yuan Cloud Client |
| An online property launch method, device and equipment (一種在線開盤方法、裝置及設備) | PRC | Ming Yuan Cloud Client |
| System framework reconfiguration method, device, electronic equipment and storage medium (系統框架的重構方法、裝置、電子設備及存儲介質) | PRC | Ming Yuan Cloud Chain |
| Application architecture updating method, device, electronic equipment and storage medium (應用程式的架構更新方法、裝置、電子設備及存儲介質) | PRC | Ming Yuan Cloud Chain |
| A data synchronization method, device, terminal equipment and storage medium (一種數據同步方法、裝置、終端設備及存儲介質) | PRC | Ming Yuan Cloud Chain |
| Data package and table generation method, device, electronic equipment and storage medium (數據報表生成方法、裝置、電子設備及存儲介質) | PRC | Ming Yuan Cloud Chain |
| SQL sentence detection method, device, terminal equipment and storage medium (SQL語句檢測方法、裝置、終端設備及存儲介質) | PRC | Ming Yuan Cloud Chain |
| Single sign-on method, device, equipment and storage medium (單點登錄方法、裝置、設備及存儲介質) | PRC | Ming Yuan Cloud Technology |

(d) Software copyrights

As of the Latest Practicable Date, our Group had registered the following software copyrights which we consider to be material to our Group's business:

| Title | Place of registration | Registered owner |
|---|-----------------------|----------------------------|
| Ming Yuan Real Estate ERP-Procurement, Bid and Tender Management Software V6.0 (明源房地產ERP-採購招投標管理軟件 V6.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Real Estate ERP-Mobile Project Management Software V2.0 (明源房地產ERP-移動計劃管理軟件V2.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Real Estate ERP-Project Investment Income Management Software V1.0 (明源房地產ERP-項目投資收益管理軟件 V1.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Real Estate Cloud Assistant Management Software V1.0 (明源房地產雲助手管理軟件V1.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Real Estate ERP Software V3.5 (明源房地產ERP V3.5) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Property Sales Management System V1.0 (明源雲ERP-售樓管理系統V1.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-VAT Sales Invoice Management System V1.0 (明源雲ERP-增值稅銷項發票管理系統 V1.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP System V1.0 (明源雲ERP系統V1.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Cost Management System V1.0 (明源雲ERP-成本管理系統V1.0) | PRC | Ming Yuan Cloud Technology |

| Title | Place of registration | Registered owner |
|---|-----------------------|----------------------------|
| Ming Yuan Cloud ERP-Project Management System V1.0 (明源雲ERP-計劃管理系統V1.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Procurement, Bid and Tender Management System V1.0 (明源雲ERP-採購招投標管理系統V1.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Procurement, Bid and Tender Management System V2.0 (明源雲ERP-採購招投標管理系統V2.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Cost Management System V2.0 (明源雲ERP-成本管理系統V2.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Project Management System V2.0 (明源雲ERP-計劃管理系統V2.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Property Sales Management System V2.0 (明源雲ERP-售樓管理系統V2.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Project Investment Income Management Software V2.0 (明源雲ERP-項目投資收益管理軟件V2.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP System V2.0 (明源雲ERP系統V2.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Expenses Management System V2.0 (明源雲ERP-費用管理系統V2.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud Client Visitor Registration System V1.0 (Optional) (明源雲客來訪登記系統V1.0) | PRC | Ming Yuan Cloud Client |
| Ming Yuan Cloud Client-Smart Showcase System V1.0 (明源雲客-智慧案場系統V1.0) | PRC | Ming Yuan Cloud Client |

| Title | Place of registration | Registered owner |
|---|------------------------------|-----------------------------|
| Ming Yuan Cloud Client Channel Risk Control and Management System V1.0 (明源雲客渠道風控管理系統V1.0) | PRC | Ming Yuan Cloud Client |
| Ming Yuan Cloud Client National Real Estate Marketing System Software V1.0 (明源雲客房地產全民營銷系統軟件V1.0) | PRC | Ming Yuan Cloud Client |
| Ming Yuan Cloud Client Online Property Launch Platform V1.0 (明源雲客在線開盤平台V1.0) | PRC | Ming Yuan Cloud Client |
| Real Estate AI Cloud Store System V1.0 (地產AI雲店系統V1.0) | PRC | Ming Yuan Cloud Client |
| Ming Yuan Cloud Property Application Software V1.0 (明源雲物業應用軟件V1.0) | PRC | Ming Yuan Cloud Space |
| Ming Yuan Cloud Lease Application Software V1.0 (明源雲租賃應用軟件V1.0) | PRC | Ming Yuan Cloud Space |
| Ming Yuan Cloud Asset Management Application Software V1.0 (明源雲資管應用軟件V1.0) | PRC | Ming Yuan Cloud Space |
| Ming Yuan Cloud Property Management System V1.0 (明源雲物業管理系統V1.0) | PRC | Ming Yuan Cloud Space |
| Ming Yuan Cloud Asset Management System V1.0 (明源雲資產管理系統V1.0) | PRC | Ming Yuan Cloud Space |
| Ming Yuan Procurement Assistant Application Software V1.0 (明源採購助手應用軟件V1.0) | PRC | Ming Yuan Cloud Procurement |
| Ming Yuan Property Cloud Procurement Management System V2.0 (明源地產雲採購管理軟件V2.0) | PRC | Ming Yuan Cloud Procurement |
| Ming Yuan Procurement Portal Application Software V2.0 (明源採購門戶應用軟件V2.0) | PRC | Ming Yuan Cloud Procurement |
| Ming Yuan Data Platform Application Software V1.0 (明源數見平台應用軟件V1.0) | PRC | Ming Yuan Cloud Procurement |

| Title | Place of registration | Registered owner |
|---|-----------------------|----------------------------|
| Ming Yuan Smart Construction Management Application V1.0 (明源智慧工程管理軟件V1.0) | PRC | Ming Yuan Cloud Chain |
| Ming Yuan Smart Customer Service Application Software V1.0 (明源智慧客服應用軟件V1.0) | PRC | Ming Yuan Cloud Chain |
| Ming Yuan Mobile Quality Inspection Application Software V1.0 (明源移動質檢應用軟件V1.0) | PRC | Ming Yuan Cloud Chain |
| Ming Yuan Cloud Chain Connected Mobile Home Inspection Smart Management Software V1.0 (明源雲鏈互聯移動驗房智慧管理軟件V1.0) | PRC | Ming Yuan Cloud Chain |
| Ming Yuan Cloud Connected Supply Chain Collaborative Middle Office System V1.0 (明源雲鏈互聯供應鏈協同中台系統V1.0) | PRC | Ming Yuan Cloud Chain |
| Ming Yuan Cloud Sky Open Platform V3.0 (明源雲天際開放平台V3.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud Mobile Modeling Platform V3.0 (明源雲移動建模平台V3.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-Integrated Open Platform V3.0 (明源雲ERP-集成開放平台V3.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud ERP-R&D Collaboration Platform V3.0 (明源雲ERP-研發協同平台V3.0) | PRC | Ming Yuan Cloud Technology |
| Ming Yuan Cloud Asset Management-Rental Center Application Software 2.0 (明源雲資管-租賃中心應用軟件2.0) | PRC | Ming Yuan Cloud Space |
| Ming Yuan Cloud Asset Management-Asset Management Center Application Software V1.0 (明源雲資管-資管中心應用軟件V1.0) | PRC | Ming Yuan Cloud Space |

Save as disclosed above, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or individual property rights which are or may be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering*

Immediately following completion of the Global Offering (without taking into account the Shares to be allotted and issued upon the exercise of the Over-allotment Option), the interests and/or short positions (as applicable) of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) once the Shares are listed, will be as follows:

(i) *Interest in the Shares*

| Name of Director | Nature of Interest | Number of Shares Interested upon Listing | Approximate percentage of Shareholding upon Listing |
|--------------------------|--------------------|--|---|
| Mr. Gao ⁽¹⁾ | Settlor of a trust | 395,523,600 | 21.14% |
| Mr. Chen ⁽²⁾ | Settlor of a trust | 296,644,800 | 15.86% |
| Mr. Jiang ⁽³⁾ | Settlor of a trust | 186,826,600 | 9.99% |

Notes:

- (1) As of the Latest Practicable Date, GHTongRui Investment Limited directly held 395,523,600 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.
- (2) As of the Latest Practicable Date, HengXinYuan Investment Limited directly held 296,644,800 Shares in our Company. 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, Mr. Chen is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited.

- (3) As of the Latest Practicable Date, 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.

(ii) *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 | 36.0% |
| Mr. Chen | Ming Yuan Cloud Procurement | RMB3,022,222.26 | 27.2% |
| Mr. Jiang | Ming Yuan Cloud Procurement | RMB1,866,666.69 | 16.8% |

(b) *Interests and short positions of the Substantial Shareholders in the Shares and underlying shares of our Company*

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

(c) *Interests of the substantial shareholder of any member of our Group (except our Company)*

Save as set out above and in the table below, as of the Latest Practicable Date, our Directors are not aware of any persons (not being Directors or chief executive of our Company) who would, immediately following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option) be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group (except our Company).

| Name | Name of members of our Group | Nature of interests | Percentage of shareholding |
|--|------------------------------|----------------------|----------------------------|
| Shenzhen Mingyuan Cloud Tai Qi Investment Partnership (Limited Partnership) (深圳市明源雲泰啟投資合夥企業(有限合夥)) | Ming Yuan Cloud Procurement | Beneficial interests | 20% |

| Name | Name of members of our Group | Nature of interests | Percentage of shareholding |
|--|---------------------------------|----------------------|-------------------------------|
| Shenzhen Mingyuan Cloud Century Investment Partnership (Limited Partnership) (深圳市明源雲世紀投資合夥企業(有限合夥)) | Ming Yuan Cloud Chain | Beneficial interests | 20% |
| Shenzhen Mingyuan Cloud Shengshi Investment Partnership (Limited Partnership) (深圳市明源雲盛世投資合夥企業(有限合夥)) | Ming Yuan Cloud Space | Beneficial interests | 20% |

2. Particulars of Service Contracts

(a) *Executive Directors*

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) *Non-executive Director and Independent Non-executive Directors*

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with our Company for a term of one year with effect from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) *Others*

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) During the year ended December 31, 2019, the aggregate of the remuneration paid and benefits in kind granted to the Directors was approximately RMB2.38 million. Details of the Directors' remuneration are also set out in Note 10 of the Accountant's Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable in respect of the year ended December 31, 2019 by our Company to the Directors.

- (iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2020 is estimated to be approximately RMB3.72 million.
- (iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the section headed “– E. Other Information – 10. Consent of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are listed on the Stock Exchange;

- (b) none of our Directors nor any of the parties listed in the section headed “– E. Other Information – 10. Consent of Experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors nor any of the parties listed in the section headed “– E. Other Information – 10. Consent of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) other than pursuant to the Underwriting Agreements, none of the parties listed in the section headed “– E. Other Information – 10. Consent of Experts” below:
 - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (e) none of our Directors or their respective close associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our number of issued shares) has any interest in our five largest suppliers or our five large customers.

D. SHARE INCENTIVE PLAN

1. SHARE INCENTIVE PLAN

The following is a summary of the principal terms of the Share Incentive Plan. The Share Incentive Plan was adopted and approved by resolutions in writing by the Board on March 29, 2020. The terms of the Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) *Summary of terms*

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.

Types of Awards

The Share Incentive Plan provides for awards of options to subscribe for Shares (“**Options**”), 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:

- i. 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;
- ii. 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;
- iii. 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.

Maximum Number of Shares

Unless otherwise duly approved by the Board, the total number of Shares underlying the Share Incentive Plan shall not exceed 7,484,080 Shares (74,840,800 Shares after the Share Subdivision).

Performance Target

The participant may be required to achieve any performance targets as the Board may specify before the relevant Options, RSU 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 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

i. 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.

ii. 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.

iii. 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.

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 an 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.

(b) Reorganization of Capital Structure

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or similar change affecting the Shares including any alteration in the capital structure of our Company, such as capitalisation issue, rights issue, consolidation, sub-division and reduction of the share capital of our Company, the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

- i. make arrangements for the grant of substitute award of equivalent fair value to an award in the purchasing or surviving company;
- ii. reach such agreement or compromise with the Grantee as it considers appropriate, including the payment of cash compensation to the Grantee for the equivalent fair value of the Award to the extent not vested;
- iii. waive any conditions to the vesting of any Award to the extent not already vested; or
- iv. permit the continuation of an Award in accordance with its original terms.

(c) Outstanding options, share purchase rights and RSUs

As at the Latest Practicable Date, 40 of our employees, who are not Directors and members of the senior management of our Company, are granted 21,100,000 outstanding RSUs under the Share Incentive Plan to subscribe for an aggregate of 21,100,000 Shares, representing approximately 1.13% of the issued share capital of our Company upon completion of the Global Offering assuming the Over-allotment Option is not exercised.

Save as disclosed herein, no Awards have been granted to any directors, senior management and other employees of our Group or their affiliates or other eligible persons pursuant to the Share Incentive Plan, and 74,840,800 Shares have been reserved and are currently held by MYC Marvellous Limited for further grant or vesting of the Awards

under the Share Incentive Plan. MYC Marvellous Limited is a special purpose vehicle managed by the trustee of the MYC Fortune Trust, TMF Trust (HK) Limited, established for the purpose of holding Shares pursuant to the Share Incentive Plan.

Below is a list of grantees of the outstanding RSUs under the Share Incentive Plan as at the Latest Practicable Date:

| Grantee | Number of outstanding Shares underlying RSUs granted | Approximate percentage of issued Shares immediately after completion of the Global Offering ⁽¹⁾ |
|---|---|---|
| 40 employees who are not Directors and members of the senior management of our Company | 21,100,000 ⁽²⁾ | 1.13% |

Notes:

- (1) These percentages are calculated on the basis of 1,871,019,990 Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised.
- (2) This figure underlines the aggregate number of outstanding Shares underlying the RSUs granted to employees of our Group, who are not Directors and members of the senior management of our Company.

E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

2. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued or sold as mentioned in this prospectus. All necessary arrangements have been made to enable such Shares into CCASS.

3. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of our Group since March 31, 2020 (being the dated to which the latest audited combined financial statements of our Group were prepared).

4. Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the section headed “Underwriting – Underwriting Arrangements and Expenses – Commissions and Expenses”.

5. The Joint Sponsors and Joint Sponsors’ fees

The Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fees payable by our Company to each of the Joint Sponsors to act as sponsor to our Company in connection with the Global Offering are US\$400,000 or in aggregate US\$800,000.

6. Preliminary expenses

We have not incurred any material preliminary expenses.

7. Promoter

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of shares registered with our Hong Kong register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the value of the shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares in our Company as long as we do not hold any interest in land in the Cayman Islands.

(c) People's Republic of China

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See “Risk Factors – Risks Relating To Conducting Business In China – We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders, and have a material adverse effect on our results of operations and the value of your investment” of this prospectus.

(d) Consultation with professional advisors

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of our Company, our Directors or the other parties involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

| Name | Qualification |
|---|---|
| China International Capital Corporation Hong Kong Securities Limited | Licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |

| Name | Qualification |
|--|--|
| Citigroup Global Markets Asia Limited | Licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO |
| PricewaterhouseCoopers | Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Cap. 588) |
| DeHeng Law Offices (Shenzhen) | Company's PRC legal advisers |
| Conyers Dill & Pearman | Company's Cayman Islands attorneys-at-law |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Independent industry consultants |

10. Consent of Experts

Each of the experts mentioned in the sub-section headed “— Qualification of Experts” above has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

12. Bilingual prospectus

The English and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

F. MISCELLANEOUS

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.
- (c) Our Directors confirm that:
 - (i) there has been no material adverse change in the financial or trading position or prospects of our Group since March 31, 2020 (being the date to which the latest audited combined financial statements of our Group were prepared);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

- (d) The principal register of members of our Company will be maintained in the Cayman Islands by our Principal Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of **WHITE, YELLOW, and GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 10. Consent of Experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the Accountant’s Report of our Group prepared by PricewaterhouseCoopers, the texts of which are set out in Appendix I to this prospectus;
- (c) the report issued by PricewaterhouseCoopers in relation to the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2017, 2018 and 2019 and the three months ended March 31, 2020;
- (e) the PRC legal opinions issued by our PRC Legal Advisor on PRC law, in respect of certain general corporate matters of our Group and the property interests of our Group and in respect of certain aspects of PRC law referred to in the section headed “Contractual Arrangements”;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser on Cayman Islands law, summarizing certain aspects of the Cayman company law referred to in Appendix III to this prospectus;

- (g) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., from which information in the section headed “Industry Overview” of this prospectus is extracted;
- (h) the Cayman Companies Law;
- (i) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 10. Consent of Experts” in Appendix IV to this prospectus;
- (j) the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (k) the service contracts and the letters of appointment with our Directors referred to in the section headed “Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 2. Particulars of Service Contracts” in Appendix IV to this prospectus; and
- (l) the terms of the Share Incentive Plan.

明源雲

MING YUAN CLOUD GROUP HOLDINGS LIMITED
明源雲集團控股有限公司

