

# 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

INTERIM REPORT

2020





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

Mr. Liang Guozhi  
Mr. Yi Feifan

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN 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

## PRINCIPAL SHARE REGISTRAR

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

## HONG KONG SHARE REGISTRAR

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

## INDEPENDENT AUDITOR

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

## HONG KONG LEGAL ADVISER

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

## COMPLIANCE ADVISOR

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

## AUTHORIZED REPRESENTATIVES

Mr. Gao Yu  
Mr. Jiang Keyang

## JOINT COMPANY SECRETARIES

Mr. Jiang Keyang  
Ms. Szeto Kar Yee Cynthia

## COMPANY WEBSITE

<https://www.mingyuanyun.com>

## PRINCIPAL BANKS

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

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

## STOCK CODE

909

# FINANCIAL HIGHLIGHTS



## Financial Performance

- Revenue of RMB670.7 million
- Net income of RMB85.3 million
- Adjusted EBITDA of RMB170.8 million
- Adjusted net income of RMB145.8 million



## Business Performance

- 81 of Top 100 property developers as our customers in respect of ERP solutions for the six months ended June 30, 2020
- 95 of Top 100 property developers as our customers in respect of SaaS products for the six months ended June 30, 2020



## SaaS Products

- Revenue of RMB333.4 million, up 64.9% YoY
- Gross profit of RMB301.5 million, up 58.3% YoY



## ERP Solutions

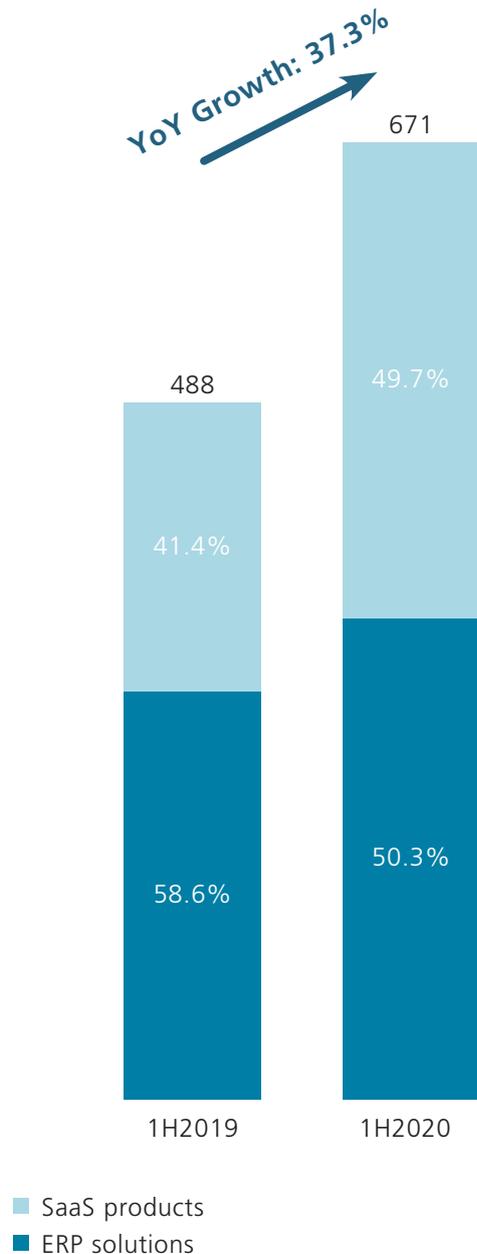
- Revenue of RMB337.3 million, up 17.9% YoY
- Gross profit of RMB227.9 million, up 22.2% YoY

- 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.
  - o 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 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.
  - o 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.

# FINANCIAL HIGHLIGHTS

The following table sets forth our total revenue and gross profit for the periods indicated.

## TOTAL REVENUE AND BREAKDOWN<sup>1</sup> (RMB in millions)



## GROSS PROFIT<sup>1</sup> (RMB in millions)



## SAAS PRODUCTS GROSS PROFIT<sup>1</sup> (RMB in millions)



## ERP SOLUTIONS GROSS PROFIT<sup>1</sup> (RMB in millions)



Note 1: unaudited

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

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. 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. 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. 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.

The market for software solutions to the real estate value chain in China in terms of revenue has experienced significant growth in recent years. 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.

## BUSINESS REVIEW

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.

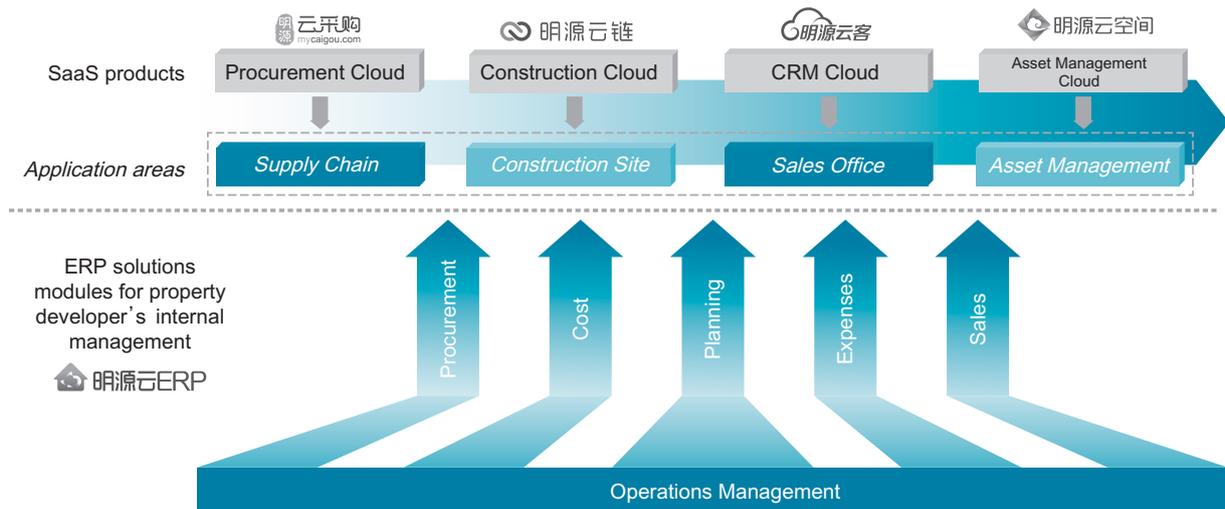
Since our founding in 2003, we have been dedicated to driving the digital transformation of China's real estate industry. Through integrating our deep industry expertise with relentless product innovation, we have developed a comprehensive suite of industry-specific ERP solutions and SaaS products for 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.



## ERP solutions

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, offering 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 six months ended June 30, 2020, we generated revenues from sales of our ERP solutions in the amounts of RMB400.1 million, RMB583.5 million, RMB754.1 million and RMB337.3 million from approximately 900, 1,200, 1,500 and 1,400 paying end group customers, respectively, including 88, 92, 92 and 81 of Top 100 property developers during the same periods.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *SaaS products*

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 95 of the Top 100 property developers subscribed for at least one of our SaaS products in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Through the adoption of cloud-based technologies, our SaaS products are fully integrated with our ERP solutions.

We generated revenues from sales of our SaaS products in the amounts of RMB179.5 million, RMB329.3 million, RMB509.8 million and RMB333.4 million from approximately 1,600, 2,500, 3,600 and 4,000 paying end group customers in 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

## **Our 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.

## *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 June 30, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Regional channel partner network*

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

## FUTURE AND OUTLOOK

As a leading software solution provider for property developers in China and with the mission to intelligize the real estate value chain, we will 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 and integrate industry resources to deepen and broaden relationships with leading property developers. 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.

## FINANCIAL REVIEW

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

### Revenue

Our total revenue 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 reparation among our existing and prospective customers. The following table sets forth a breakdown of our revenue by business segment for the periods indicated.

	Six months ended	
	June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
SaaS products	<b>333,383</b>	202,174
ERP solutions	<b>337,332</b>	286,171
Total	<b>670,715</b>	488,345

# MANAGEMENT DISCUSSION AND ANALYSIS

## *SaaS products*

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

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

	For the six months ended June 30,			
	2020		2019	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(unaudited)</i>			
	<i>(RMB in thousands, except percentages)</i>			
Procurement Cloud (雲採購)	<b>11,332</b>	<b>3</b>	8,807	4
CRM Cloud (雲客)	<b>234,955</b>	<b>71</b>	133,607	66
Asset Management Cloud (雲空間)	<b>17,902</b>	<b>5</b>	11,368	6
Construction Cloud (雲鏈)	<b>69,194</b>	<b>21</b>	48,392	24
Total	<b>333,383</b>	<b>100</b>	202,174	100

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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ERP solutions

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

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

	For the six months ended June 30,		2019	
	2020			
	<b>RMB</b>	<b>%</b>	<b>RMB</b>	<b>%</b>
	<i>(unaudited)</i>			
	<i>(RMB in thousands, except percentages)</i>			
Software licensing	<b>101,955</b>	<b>30</b>	92,695	32
Implementation services	<b>45,270</b>	<b>13</b>	33,870	12
Product support services	<b>62,463</b>	<b>19</b>	51,657	18
Value-added services	<b>127,644</b>	<b>38</b>	107,949	38
Total	<b>337,332</b>	<b>100</b>	286,171	100

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of Sales

Our cost of sales increased by 26.9% from RMB111.3 million for the six months ended June 30, 2019 to RMB141.3 million for the six months ended June 30, 2020.

### *SaaS products*

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

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

	For the six months ended June 30,			
	2020		2019	
	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(unaudited)</i>			
	<i>(RMB in thousands, except percentages)</i>			
Employee benefit expenses	<b>9,507</b>	<b>3</b>	6,753	3
Costs of inventories sold	<b>14,476</b>	<b>4</b>	1,281	1
IT and communication charges	<b>6,619</b>	<b>3</b>	2,872	2
Taxes and surcharges	<b>1,314</b>	<b>0</b>	828	0
Total	<b>31,916</b>	<b>10</b>	11,734	6

Our cost of sales for SaaS products increased by 172.0% from RMB11.7 million for the six months ended June 30, 2019 to RMB31.9 million for the six months ended June 30, 2020. This increase was primarily driven by the increases in costs of hardware and data cloud services.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ERP solutions

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

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

	For the six months ended June 30,			
	2020		2019	
	RMB	%	RMB	%
	<i>(unaudited)</i>			
	<i>(RMB in thousands, except percentages)</i>			
Employee benefit expenses	<b>73,161</b>	<b>22</b>	69,337	24
Outsourcing expenses	<b>31,668</b>	<b>9</b>	27,059	10
Costs of inventories sold	<b>284</b>	<b>0</b>	327	0
Professional and technical service fees	<b>1,025</b>	<b>0</b>	1,064	0
Taxes and surcharges	<b>3,258</b>	<b>1</b>	1,823	1
<b>Total</b>	<b>109,396</b>	<b>32</b>	99,610	35

Our cost of sales for ERP solutions slightly increased by 9.8% from RMB99.6 million for the six months ended June 30, 2019 to RMB109.4 million for the six months ended June 30, 2020, primarily driven by the increases in employee benefit expenses and outsourcing expenses, which are consistent with the increase of revenue during the same period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profits

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.

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b><i>(Unaudited)</i></b>	<b><i>(Unaudited)</i></b>
SaaS products	<b>301,467</b>	190,440
ERP solutions	<b>227,936</b>	186,561
Total	<b>529,403</b>	377,001

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.

## Selling and Marketing Expenses

Our selling and marketing expenses increased by 30.5% from RMB176.0 million for the six months ended June 30, 2019 to RMB229.7 million for the six months ended June 30, 2020, primarily attributable to the increases in (i) commission expenses due to the increase of SaaS products' revenue, and (ii) employee benefit expenses of sales force.

# MANAGEMENT DISCUSSION AND ANALYSIS

## General and Administrative Expenses

Our general and administrative expenses increased from RMB44.6 million for the six months ended June 30, 2019 to RMB73.6 million for the six months ended June 30, 2020, primarily due to the increases in (i) listing expenses as we did not incur any listing expenses for the six months ended June 30, 2019, and (ii) share-based compensation expenses during the Reporting Period.

## Research and Development Expenses

Our research and development expenses increased from RMB129.9 million for the six months ended June 30, 2019 to RMB148.2 million for the six months ended June 30, 2020, mainly due to 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 determine the provision for impairment of trade receivables and contract assets on a forward-looking basis and the expected lifetime losses are recognized from initial recognition of the assets by credit risks of our customers in accordance with IFRS 9. When accessing the credit risks of a particular customer, we consider, on a reasonable basis, available supporting information regarding the business and financial background of such customer and its ultimate beneficial shareholders and our historical business relationship (including disputes, if any) with such customer and its ultimate beneficial shareholders.

We had a net impairment loss of RMB3.1 million for the six months ended June 30, 2019 compared to a net impairment loss of RMB3.8 million for the six months ended June 30, 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 Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 (a) admission fees we charge property developers, construction materials suppliers and other service vendors for our offline industry events with respect to our *Procurement Cloud* (雲採購) and (b) income generated from our real estate industry seminars, and (v) dividend income from investments in unlisted equity securities included in financial assets at fair value through profit or loss.

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

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other government grants	19,199	9,338
Income from wealth management products	9,625	6,410
VAT refund	7,958	14,032
Income generated from offline activities and others	4,730	7,933
Dividend income from investments in unlisted equity securities included in financial assets at fair value through profit or loss	624	–
	<b>42,136</b>	<b>37,713</b>

We recorded other income of RMB42.1 million for the six months ended June 30, 2020, as compared to that of RMB37.7 million for the six months ended June 30, 2019, primarily due to a significant increase of RMB9.9 million in other government grants for the six months ended June 30, 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Gains, Net

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

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

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Fair value gains on investments in redeemable preferred shares	<b>14,527</b>	–
Foreign exchange gains	<b>1,499</b>	–
Fair value gains on investments in unlisted equity securities included in financial assets at fair value through profit or loss	<b>87</b>	1,701
Termination of leases	<b>235</b>	–
	<b>16,348</b>	1,701

Our other gains, net increased from RMB1.7 million for the six months ended June 30, 2019 to RMB16.3 million for the six months ended June 30, 2020, primarily due to an increase of RMB14.5 million in fair value gains on investments in redeemable preferred shares.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB132.7 million for the six months ended June 30, 2020, compared to an operating profit of RMB62.8 million for the six months ended June 30, 2019. For our SaaS products, we had operating loss of RMB11.6 million for the six months ended June 30, 2020, compared to operating loss of RMB27.2 million for the six months ended June 30, 2019. For our ERP solutions, our operating profit increased from RMB88.3 million for the six months ended June 30, 2019 to RMB151.1 million for the six months ended June 30, 2020.

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

	<b>Six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
SaaS products	<b>(11,565)</b>	(27,173)
ERP solutions	<b>151,139</b>	88,306
Unallocated items	<b>(6,891)</b>	1,701
Total	<b>132,683</b>	62,834

## Finance Income

Our finance income increased from RMB85,000 for the six months ended June 30, 2019 to RMB711,000 for the six months ended June 30, 2020, primarily due to an increase in interest income from bank deposits.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance Costs

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

Our finance costs increased from RMB912,000 for the six months ended June 30, 2019 to RMB980,000 for the six months ended June 30, 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 RMB38.4 million for the six months ended June 30, 2020, as compared to nil for the six months ended June 30, 2019.

## Profit before Income Tax

As a result of the foregoing, we had a profit before income tax of RMB94.0 million for the six months ended June 30, 2020, compared with a profit before income tax of RMB62.0 million for the six months ended June 30, 2019.

## Income Tax Expenses

Our income tax expenses increased from RMB1.6 million for the six months ended June 30, 2019 to RMB8.7 million for the six months ended June 30, 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 RMB85.3 million for the six months ended June 30, 2020, representing an increase of approximately RMB24.9 million, or 41.3%, compared to the profit of approximately RMB60.4 million for the six months ended June 30, 2019.

For our SaaS products, we reported a loss of RMB12.2 million for the six months ended June 30, 2020, representing a decrease of approximately RMB15.1 million, or 55.2%, compared to the loss of approximately RMB27.3 million for the six months ended June 30, 2019.

For our ERP solutions, we reported a profit of RMB142.8 million for the six months ended June 30, 2020, representing an increase of approximately RMB56.8 million, or 66.1%, compared to the profit of approximately RMB86.0 million for the six months ended June 30, 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Non-IFRS Measures

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

### *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.

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.

	<b>For the six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Reconciliation of operating income and adjusted EBITDA		
<b>Operating income for the period</b>	<b>132,683</b>	62,834
Add:		
Depreciation of right-of-use assets	<b>11,297</b>	9,893
Depreciation of property, plant and equipment	<b>4,148</b>	2,858
Amortization of intangible assets	<b>577</b>	253
<b>EBITDA</b>	<b>148,705</b>	75,838
Add:		
Share-based compensation	<b>7,520</b>	–
Listing expenses	<b>14,609</b>	–
<b>Adjusted EBITDA</b>	<b>170,834</b>	75,838

# MANAGEMENT DISCUSSION AND ANALYSIS

## *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.

	<b>For the six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Reconciliation of net income and adjusted net income		
<b>Net income for the period</b>	<b>85,337</b>	60,392
Fair value changes of convertible redeemable preferred shares	<b>38,368</b>	–
Share-based compensation	<b>7,520</b>	–
Listing expenses	<b>14,609</b>	–
<b>Adjusted net income</b>	<b>145,834</b>	60,392

## **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. To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our senior management to finance our operations and mitigate the effects of fluctuations in cash flows. As of June 30, 2020, we had cash and cash equivalents of RMB269.9 million and did not have any banking facilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Management and Gearing Ratio

In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as liquid liabilities, which are financial liabilities measured at Fair Value through Profit or Loss (“**FVPL**”) (including convertible redeemable preferred shares), and lease liabilities, less cash and cash equivalents, restricted cash, and 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 interim condensed consolidated statements of financial position plus net debts. Our gearing ratio as of June 30, 2020 was nil as we did not have long-term borrowing.

## Capital Commitment

As of June 30, 2020, we had capital commitments with respect to assets under construction of approximately RMB30.8 million.

## Contingent Liabilities

As of June 30, 2020, we did not have any material contingent liabilities.

## Pledge of Assets

As of June 30, 2020, we did not pledge any of our assets.

## FOREIGN EXCHANGE RISK MANAGEMENT

We mainly carry out our operations in the PRC with most transactions settled in Renminbi, and we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Therefore, foreign exchange risk primarily arose from our recognized assets and liabilities when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. During the Reporting Period, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

From the Listing Date and up to the date of this report, there were no material acquisitions, disposals or significant investment of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of June 30, 2020, we did not have plans for material investments and capital assets.

## EMPLOYEES

As of June 30, 2020, we had 2,695 employees in total.

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

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

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

## SUBSEQUENT EVENT

Our Shares were listed on the Main Board of the Stock Exchange on September 25, 2020. On the same date, we vested 3,600,000 restricted share units (“**RSUs**”) to certain eligible individuals under the Share Incentive Plan.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Gao Yu (高宇) (“Mr. Gao”)**, 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.

**Mr. Chen Xiaohui (陳曉暉) (“Mr. Chen”)**, 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 directorships 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) (“Mr. Jiang”)**, 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 directorships in the following principal subsidiaries of our Group: Ming Yuan Cloud Technology, Ming Yuan Cloud Procurement, Ming Yuan Cloud Space and Shenzhen Mingyuan Cloud Chain Internet Technology Limited.

## DIRECTORS AND SENIOR MANAGEMENT

**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.

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.

# DIRECTORS AND SENIOR MANAGEMENT

## 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.

## 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.

## DIRECTORS AND SENIOR MANAGEMENT

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.

**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 recognized 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.

# DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Gao Yu (高宇)**, aged 50, has been the Chairman of our Board since June 12, 2020. For further details, please refer to “Executive Directors” in this section.

**Mr. Chen Xiaohui (陳曉暉)**, aged 49, has been our Vice President since June 12, 2020. For further details, please refer to “Executive Directors” in this section.

**Mr. Jiang Haiyang (姜海洋)**, aged 50, has been our Chief Executive Officer since June 12, 2020. For further details, please refer to “Executive Directors” in this section.

**Mr. Jiang Keyang (蔣科陽)**, aged 41, has been our Chief Financial Officer and one of our joint company secretaries since June 12, 2020. For further details, please refer to “Executive Directors” in this section.

**Mr. Yao Wu (姚武)**, aged 49, 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. (用友網路科技股份有限公司) (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.

### CHANGE TO DIRECTORS' INFORMATION

Our Directors confirm that there is no information required to be disclosed under the Rules 13.51B(1) and 13.51B(2) of the Listing Rules from the Listing Date and up to the date of this report.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Directors recognize the importance of good corporate governance in the management of the Group. The Company was not listed on June 30, 2020 and was not required to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) during the Reporting Period. Our Board is of the opinion that the Company has complied with all the code provisions set out in the Corporate Governance Code from the Listing Date and up to the date of this report.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding our Directors' securities transactions.

As the Company was not listed during the Reporting Period, the Model Code was not applicable to the Company during the Reporting Period. Specific enquiries have been made of all the Directors and they have confirmed that they had complied with the relevant securities transactions code from the Listing Date and up to the date of this report.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From the Listing Date and up to the date of this report, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of our Directors, our Directors confirmed that the Company had maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the period from the Listing Date and up to the date of this report.

## OTHER INFORMATION

### USE OF NET PROCEEDS

Our Shares were listed on the Main Board of the Stock Exchange on September 25, 2020. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK\$5,906.7 million. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus. As of the date of this report, the Company had not used any of the net proceeds received from the Global Offering.

### INTERIM DIVIDEND

Our Board did not declare any interim dividend for the six months ended June 30, 2020.

### REVIEW OF INTERIM FINANCIAL INFORMATION

The independent auditors of our Company, namely PricewaterhouseCoopers, have carried out a review of the interim financial information in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The comparative information for the interim condensed consolidated statements of financial position is based on the audited financial statements as of December 31, 2019. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and the related explanatory notes, for the six months period ended June 30, 2019 has not been audited or reviewed.

The Audit Committee comprises three independent non-executive Directors, namely Ms. Zeng Jing, Mr. Li Hanhui and Mr. Zhao Liang. Ms. Zeng Jing, being the chairperson of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has jointly reviewed with our management, the accounting principles and policies adopted by our Company and discussed internal control and financial reporting matters (including the review of the unaudited interim financial information for the six months ended June 30, 2020) of the Group. The Audit Committee considered that the interim financial information are in compliance with the applicable accounting standards, laws and regulations.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2020, the Company was not listed on the Main Board of the Stock Exchange and Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were not applicable.

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

### Long Position in the Shares

Name of Director	Capacity/Nature of Interest	Number of Shares Interested	Approximate percentage of Shareholding
Mr. Gao <sup>(1)</sup>	Settlor of a trust	395,523,600	21.14%
Mr. Chen <sup>(2)</sup>	Settlor of a trust	296,644,800	15.86%
Mr. Jiang <sup>(3)</sup>	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.

## OTHER INFORMATION

### Interests in Associated Corporations

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Amount of registered capital held</b>	<b>Approximate percentage of interests</b>
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%

Save as disclosed above and to the best knowledge of our Directors, none of our Directors or the chief executive of our Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations as of the Latest Practicable Date.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of June 30, 2020, the Company was not listed on the Main Board of the Stock Exchange and Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

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

## Long Position in the Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares Interested	Approximate percentage of Shareholding
GHTongRui Investment Limited <sup>(1)</sup>	Beneficial interest	395,523,600	21.14%
MYTongRui Holdings Limited <sup>(1)</sup>	Interest in controlled corporation	395,523,600	21.14%
HengXinYuan Investment Limited <sup>(2)</sup>	Beneficial interest	296,644,800	15.86%
SunshineMorning Holdings Limited <sup>(2)</sup>	Interest in controlled corporation	296,644,800	15.86%
LINGFAN Investment Limited <sup>(3)</sup>	Beneficial interest	186,826,600	9.99%
Mindfree Holdings Limited <sup>(3)</sup>	Interest in controlled corporation	186,826,600	9.99%
TMF (Cayman) Ltd. <sup>(1)(2)(3)(4)</sup>	Trustee of 4 trusts	927,316,000	49.56%
MYC United Power Investment Holdings Limited	Beneficial interest	128,562,800	6.87%
MYC Brilliant Alliance Investment Holdings Limited	Beneficial interest	105,523,200	5.64%
Beijing Chenchuang Management Consultation Center (Limited Partnership) (北京宸創管理諮詢中心(有限合夥)) ("Beijing Chenchuang") <sup>(5)</sup>	Beneficial interest	111,948,000	5.98%
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)) <sup>(5)</sup>	Interest in controlled corporation	111,948,000	5.98%
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)) <sup>(5)</sup>	Interest in controlled corporation	111,948,000	5.98%

## OTHER INFORMATION

### 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, MYTongRui Holdings Limited is deemed to be interested in the total number of Shares held by GHTongRui Investment Limited.
- (2) HengXinYuan Investment Limited is 99% held by SunshineMorning Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Chen (as the settlor) with him and his family members being the beneficiaries. Accordingly, SunshineMorning Holdings Limited is deemed to be interested in the total number of Shares held by HengXinYuan Investment Limited.
- (3) LINGFAN Investment Limited is 99% held by Mindfree Holdings Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., the trustee of the family trust established by Mr. Jiang (as the settlor) with him and his family members being the beneficiaries. Accordingly, Mindfree Holdings Limited is deemed to be interested in the total number of Shares held by LINGFAN Investment Limited.
- (4) TMF (Cayman) Ltd. is deemed to be interested in the total number of Shares held by each of GHTongRui Investment Limited, HengXinYuan Investment Limited 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, both of them are deemed to be interested in the total number of Shares held by Beijing Chenchuang.

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

### SHARE INCENTIVE PLAN

We adopted a share incentive plan (the “**Share Incentive Plan**”) on March 29, 2020 in order to motivate, attract and encourage certain officers, managers, employees, directors and other eligible persons. The terms of the Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules. Further details of the Share Incentive Plan are set forth in the section headed “Statutory and General Information — D. Share Incentive Plan” in Appendix IV to the Prospectus.

#### Purpose

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

#### Type of Awards

The Share Incentive Plan provides for awards of options to subscribe for Shares (“**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**”).

#### Eligible Participants

- 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;
- any directors and supervisors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries or controlled affiliates, or any entities designated by them; and
- 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 74,840,800 Shares.

## OTHER INFORMATION

### Details of Options, Share Purchase Rights and RSUs

As of the date of this report, 40 of our employees, who are not Directors and members of the senior management of our Company, had been 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.

On September 25, 2020, we vested 3,600,000 RSUs to certain eligible individuals under the Share Incentive Plan.

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

### COMPETING INTERESTS

Our Directors are not aware of any business or interest of our Directors or the controlling shareholders (as defined in the Listing Rules) of the Company nor any of their respective associates (as defined in the Listing Rules) that competed or might compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person had or might have with the Group during the six months ended June 30, 2020.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**To the Board of Directors of Ming Yuan Cloud Group Holdings Limited**  
(incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 39 to 86 which comprises the interim condensed consolidated statement of financial position of Ming Yuan Cloud Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

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*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

## OTHER MATTER

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statement as at 31 December 2019. The comparative information for the interim condensed consolidated statement of comprehensive income, changes in equity and cash flows, and the related explanatory notes, for the six months period ended 30 June 2019 has not been audited or reviewed.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

25 September 2020

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Revenues	9	<b>670,715</b>	488,345
Cost of sales	10	<b>(141,312)</b>	(111,344)
<b>Gross profit</b>		<b>529,403</b>	377,001
Selling and marketing expenses	10	<b>(229,684)</b>	(176,009)
General and administrative expenses	10	<b>(73,570)</b>	(44,638)
Research and development expenses	10	<b>(148,192)</b>	(129,878)
Net impairment losses on financial assets and contract assets	20	<b>(3,758)</b>	(3,056)
Other income	11	<b>42,136</b>	37,713
Other gains, net	12	<b>16,348</b>	1,701
<b>Operating profit</b>		<b>132,683</b>	62,834
Finance income		<b>711</b>	85
Finance costs		<b>(980)</b>	(912)
Finance costs, net		<b>(269)</b>	(827)
Fair value changes of convertible redeemable preferred shares	26	<b>(38,368)</b>	–
<b>Profit before income tax</b>		<b>94,046</b>	62,007
Income tax expense	13	<b>(8,709)</b>	(1,615)
<b>Profit for the period</b>		<b>85,337</b>	60,392
<b>Profit attributable to:</b>			
Owners of the Company		<b>69,994</b>	54,996
Non-controlling interests		<b>15,343</b>	5,396
		<b>85,337</b>	60,392
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic	14	<b>0.05</b>	0.04
Diluted	14	<b>0.05</b>	0.04

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	2019 RMB' 000 (Unaudited)
<b>Profit for the period</b>	<b>85,337</b>	60,392
<b>Other comprehensive income/(loss), net of tax</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	<b>(4,589)</b>	–
Changes in fair value of financial assets at fair value through other comprehensive income/(loss), net of tax	<b>(3,636)</b>	418
<b>Total comprehensive income for the period</b>	<b>77,112</b>	60,810
Total comprehensive income attributable to:		
Owners of the Company	<b>61,769</b>	55,414
Non-controlling interests	<b>15,343</b>	5,396
	<b>77,112</b>	60,810

The accompanying notes on pages 46 to 86 form an integral part of this interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June</b> <b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	<b>127,933</b>	118,283
Right-of-use assets	17	<b>43,416</b>	50,864
Intangible assets		<b>2,181</b>	2,077
Financial assets at fair value through profit or loss	18	<b>50,777</b>	36,163
Financial assets at fair value through other comprehensive income	19	<b>28,143</b>	32,183
Contract acquisition costs		<b>838</b>	731
Prepayments and other receivables	20	<b>5,515</b>	5,034
Deferred income tax assets		<b>490</b>	865
<b>Total non-current assets</b>		<b>259,293</b>	246,200
<b>Current assets</b>			
Inventories		<b>530</b>	281
Contract assets		<b>56,380</b>	25,090
Contract acquisition costs		<b>130,185</b>	103,182
Trade receivables	20	<b>22,212</b>	20,962
Prepayments and other receivables	20	<b>20,527</b>	15,710
Income tax recoverable		<b>1,740</b>	308
Financial assets at fair value through profit or loss	18	<b>574,028</b>	90,000
Restricted cash	21	<b>49</b>	748
Cash and cash equivalents	21	<b>269,946</b>	732,207
<b>Total current assets</b>		<b>1,075,597</b>	988,488
<b>Total assets</b>		<b>1,334,890</b>	1,234,688
<b>EQUITY</b>			
Share capital	22	<b>124</b>	107
Treasury shares	22	<b>(7)</b>	–
Reserves		<b>11,989</b>	12,694
Retained earnings		<b>323,678</b>	253,684
		<b>335,784</b>	266,485
Non-controlling interests		<b>14,562</b>	4,467
<b>Total equity</b>		<b>350,346</b>	270,952

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2020 RMB' 000 (Unaudited)	As at 31 December 2019 RMB' 000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contract liabilities		18,444	18,396
Lease liabilities	17	23,176	29,175
Deferred income tax liabilities		3,049	1,514
<b>Total non-current liabilities</b>		<b>44,669</b>	49,085
<b>Current liabilities</b>			
Trade payables	24	31,382	23,921
Other payables and accruals	25	122,428	178,675
Contract liabilities		408,411	377,692
Current income tax liabilities		1,767	382
Lease liabilities	17	18,570	20,052
Convertible redeemable preferred shares	26	357,317	313,929
<b>Total current liabilities</b>		<b>939,875</b>	914,651
<b>Total liabilities</b>		<b>984,544</b>	963,736
<b>Total equity and liabilities</b>		<b>1,334,890</b>	1,234,688

The accompanying notes on pages 46 to 86 form an integral part of this interim financial information.

The financial statements on pages 39 to 86 were approved and authorized for issue by the Board of Directors on 25 September 2020 and were signed on its behalf.

**Gao Yu**  
Director

**Jiang Keyang**  
Chief Financial Officer

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Notes	Share capital RMB' 000	Treasury Shares RMB' 000	Reserves RMB' 000	Retained earnings RMB' 000	Total RMB' 000	Non- controlling interests RMB' 000	Total equity RMB' 000
<b>(Unaudited)</b>								
As at 1 January 2020		107	–	12,694	253,684	266,485	4,467	270,952
Profit for the period		–	–	–	69,994	69,994	15,343	85,337
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax		–	–	(3,636)	–	(3,636)	–	(3,636)
Currency translation differences		–	–	(4,589)	–	(4,589)	–	(4,589)
<b>Total comprehensive income for the period</b>		–	–	(8,225)	69,994	61,769	15,343	77,112
<b>Transactions with owners:</b>								
Issuance of ordinary shares		22(d) 17	–	–	–	17	–	17
Treasury shares		22(d) –	(7)	–	–	(7)	–	(7)
Share-based compensation reserve		23 –	–	7,520	–	7,520	–	7,520
Dividend distribution to non-controlling interests		–	–	–	–	–	(5,248)	(5,248)
<b>Total transactions with owners of the Company</b>		17	(7)	7,520	–	7,530	(5,248)	2,282
<b>As at 30 June 2020</b>		124	(7)	11,989	323,678	335,784	14,562	350,346

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
<b>(Unaudited)</b>						
<b>As at 1 January 2019</b>	–	242,148	60,408	302,556	(4,559)	297,997
Profit for the period	–	–	54,996	54,996	5,396	60,392
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	418	–	418	–	418
<b>Total comprehensive income for the period</b>	–	418	54,996	55,414	5,396	60,810
<b>Transactions with owners:</b>						
Transaction with non-controlling interests	–	1,649	–	1,649	(1,649)	–
<b>Total transactions with owners of the Company</b>	–	1,649	–	1,649	(1,649)	–
<b>As at 30 June 2019</b>	–	244,215	115,404	359,619	(812)	358,807

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2020	2019
		RMB' 000	RMB' 000
		(Unaudited)	(Unaudited)
Notes			
<b>Cash flows from operating activities</b>			
		<b>50,420</b>	(23,719)
		<b>711</b>	85
		<b>(6,442)</b>	(8,089)
<b>Net cash generated from/(used in) operating activities</b>		<b>44,689</b>	(31,723)
<b>Cash flows from investing activities</b>			
		<b>(14,798)</b>	(7,521)
		<b>(798)</b>	(652)
		<b>(1,561,830)</b>	(1,599,910)
		<b>1,081,430</b>	1,281,412
		<b>5,997</b>	6,388
<b>Net cash used in investing activities</b>		<b>(489,999)</b>	(320,283)
<b>Cash flows from financing activities</b>			
	22(d)	<b>10</b>	–
		<b>46</b>	–
		<b>(5,248)</b>	–
		<b>(10,640)</b>	(8,436)
		<b>(2,065)</b>	–
		<b>(980)</b>	(912)
<b>Net cash used in financing activities</b>		<b>(18,877)</b>	(9,348)
<b>Net decrease in cash and cash equivalents</b>		<b>(464,187)</b>	(361,354)
		<b>732,207</b>	447,922
		<b>1,926</b>	–
<b>Cash and cash equivalents at the end of the period</b>		<b>269,946</b>	86,568
	21		

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 Software as a service (“SaaS”) products and enterprise-grade Enterprise resource planning (“ERP”) solutions for property developers and other industry participants along the real estate value chain in the People’s Republic of China (the “PRC”), which enable property developers and other real estate industry participants to streamline and digitalize their business operations (the “Listing Business”).

The interim financial information for the six months ended 30 June 2020 (“Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated, and was approved for issue by the Board of Directors of the Company on 25 September 2020.

## 2 BASIS OF PREPARATION

This Interim Financial Information has been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS”) 34. This Interim Financial Information should be read in conjunction with the historical financial information of the Group for the three years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 included in Appendix I of the Company’s prospectus dated 15 September 2020 (the “Historical Financial Information”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (“IASB”).

## 3 SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

Since the Novel Coronavirus (“COVID-19”) outbreak in early 2020, a series of precautionary and control measures have been implemented in the People’s Republic of China (the “PRC”). The directors of the Company have given careful consideration and re-assessment its impact on the liquidity risk, valuation of financial assets, the expected credit loss of trade and other receivables and operating performance of the Group. The directors are of the opinion that, there was no material adverse effects on its consolidated financial statements for the six months ended 30 June 2020 as a result of the COVID-19 outbreak.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the Historical Financial Information.

### New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after 1 January 2020 and have not been early adopted by the Group.

		<b>Effective for annual periods beginning on or after</b>
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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **New standards, amendments to standards and interpretations not yet adopted** *(Continued)*

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.

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

## 6 SIGNIFICANT CHANGES IN PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

There was no significant change in principal subsidiaries, joint ventures and associates of the Group during the six months ended 30 June 2020.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT

### 7.1 Financial risk factors

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

There have been no significant changes in the risk factors and management policies since the year ended 31 December 2019.

#### (a) Liquidity Risk

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

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

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Carrying amount Total RMB' 000
<b>(Unaudited)</b>				
<b>At 30 June 2020</b>				
Trade payable	31,382	–	–	31,382
Other payables and accruals (excluding salary and staff welfare payables and taxes payable)	26,838	–	–	26,838
Lease liabilities	19,941	16,250	7,941	44,132
Convertible redeemable preferred shares	357,317	–	–	357,317
	<b>435,478</b>	<b>16,250</b>	<b>7,941</b>	<b>459,669</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT *(Continued)*

### 7.1 Financial risk factors *(Continued)*

#### *(a) Liquidity Risk (Continued)*

	Less than 1 year RMB' 000	Between 1 and 2 years RMB' 000	Between 2 and 5 years RMB' 000	Carrying amount Total RMB' 000
<b>(Audited)</b>				
<b>At 31 December 2019</b>				
Trade payable	23,921	–	–	23,921
Other payables and accruals (excluding salary and staff welfare payables and tax 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

### 7.2 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 measured at Fair Value through Profit or Loss (FVPL) (including Convertible redeemable preferred shares), and lease liabilities, less cash and cash equivalents, restricted cash, and 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 30 June 2020, the Group has a net cash position.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT *(Continued)*

### 7.3 Fair value estimation

#### 7.3.1 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 2019 and 30 June 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).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT *(Continued)*

### 7.3 Fair value estimation *(Continued)*

#### 7.3.1 Fair value hierarchy *(Continued)*

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>(Unaudited)</b>				
<b>As at 30 June 2020</b>				
<b>Financial assets at FVPL</b>				
Investments in wealth management products (Note 18(a))	–	–	574,028	574,028
Investments in unlisted equity securities (Note 18(b))	–	–	1,810	1,810
Investments in redeemable preferred shares (Note 18(c))	–	–	48,967	48,967
	–	–	624,805	624,805
<b>Financial assets at Fair Value through Other Comprehensive Income (FVOCI)</b>				
Investments in unlisted equity securities (Note 19)	–	–	28,143	28,143
<b>Financial liabilities at FVPL</b>				
Convertible redeemable preferred shares (Note 26)	–	–	357,317	357,317

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT *(Continued)*

### 7.3 Fair value estimation *(Continued)*

#### 7.3.1 Fair value hierarchy *(Continued)*

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>(Audited)</b>				
<b>As at 31 December 2019</b>				
<b>Financial assets at FVPL</b>				
Investments in wealth management products (Note 18(a))	–	–	90,000	90,000
Investments in unlisted equity securities (Note 18(b))	–	–	1,723	1,723
Investments in redeemable preferred shares (Note 18(c))	–	–	34,440	34,440
	–	–	126,163	126,163
<b>Financial assets at FVOCI</b>				
Investments in unlisted equity securities (Note 19)	–	–	32,183	32,183
<b>Financial liabilities at FVPL</b>				
Convertible redeemable preferred shares (Note 26)	–	–	313,929	313,929

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT *(Continued)*

### 7.3 Fair value estimation *(Continued)*

#### 7.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

There were no changes to valuation techniques during the six months ended 30 June 2019 and 2020.

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.

#### 7.3.3 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 six months ended 30 June 2020.

The change in level 3 instruments of the financial liabilities at FVPL are presented in Note 26.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT *(Continued)*

### 7.3 Fair value estimation *(Continued)*

#### 7.3.3 Fair value measurements using significant unobservable inputs (level 3) *(Continued)*

	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
<b>(Unaudited)</b>				
<b>As 1 January 2020</b>	<b>90,000</b>	<b>1,723</b>	<b>34,440</b>	<b>32,183</b>
Acquisitions	1,561,830	-	-	-
Disposals	(1,087,427)	-	-	-
Unrealised changes in fair value	3,628	87	14,527	(4,040)
Realised income or gains	5,997	-	-	-
<b>As at 30 June 2020</b>	<b>574,028</b>	<b>1,810</b>	<b>48,967</b>	<b>28,143</b>

#### 7.3.4 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT *(Continued)*

### 7.3 Fair value estimation *(Continued)*

#### 7.3.4 Valuation process, inputs and relationships to fair value *(Continued)*

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 26), investments in wealth management products (Note 18(a)), investments in unlisted equity securities (Note 18(b), Note 19) and investments in redeemable preferred shares (Note 18(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 26.

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

Description	Fair value at 30 June 2020 RMB' 000	Unobservable inputs	Range of inputs at 30 June 2020	Relationship of unobservable inputs to fair value
Investment in wealth management products	574,028	Expected rate of return	2.36%~3.75%	The higher the expected rate of return, the higher the fair value
Investments in unlisted equity securities included in financial assets at FVPL (*)	1,810	N/A	N/A	N/A
Investments in unlisted equity securities included in financial assets at FVOCI	28,143	Expected volatility	36.00%	Decreasing the expected volatility by 5% would decrease the fair value by RMB63,000 approximately; and increasing the expected volatility by 5% would increase the fair value by RMB105,000 approximately

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT (Continued)

### 7.3 Fair value estimation (Continued)

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

Description	Fair value at 30 June 2020 RMB'000	Unobservable inputs	Range of inputs at 30 June 2020	Relationship of unobservable inputs to fair value
		Risk-free rate	2.39%	The higher the risk-free rate, the lower the fair value
		P/S ratio	18.54	Decreasing the P/S ratio by 10% would decrease the fair value by RMB2,718,000 approximately; and increasing the P/S ratio by 10% would increase the fair value by RMB2,732,000 approximately
Investments in redeemable preferred shares	48,967	Expected volatility	56.00%~57.00%	Decreasing the expected volatility by 5% would decrease the fair value by RMB257,000 approximately; and increasing the expected volatility by 5% would increase the fair value by RMB138,000 approximately
		Risk-free rate	2.42%~2.62%	The higher the risk-free rate, the lower the fair value
		P/S ratio	9.06~18.00	Decreasing the P/S ratio by 10% would decrease the fair value by RMB2,954,000 approximately; and increasing the P/S ratio by 10% would increase the fair value by RMB2,973,000 approximately
		Discounts for lack of marketability	26%~30%	The higher the DLOM, the lower the fair value

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 FINANCIAL RISK MANAGEMENT *(Continued)*

### 7.3 Fair value estimation *(Continued)*

#### 7.3.4 Valuation process, inputs and relationships to fair value *(Continued)*

\* : 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 values.

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 six months ended 30 June 2020 would have been approximately RMB62,481,000 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 six months ended 30 June 2020 would have been approximately RMB2,814,000 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 six months ended 30 June 2020 would have been RMB35,732,000 lower/higher, respectively.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8 SEGMENT INFORMATION

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

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

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

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

The segment information for the six months ended 30 June 2020 (unaudited) is as follows:

	SaaS products RMB' 000	ERP solutions RMB' 000	Unallocated items RMB' 000	Total RMB' 000
Revenues	333,383	337,332	–	670,715
<b>Gross profit</b>	<b>301,467</b>	<b>227,936</b>	–	<b>529,403</b>
<b>Operating (loss)/profit</b>	<b>(11,565)</b>	<b>151,139</b>	<b>(6,891)</b>	<b>132,683</b>
Finance income	35	676	–	711
Finance costs	(354)	(626)	–	(980)
<b>Finance costs – net</b>	<b>(319)</b>	<b>50</b>	–	<b>(269)</b>
Fair value changes of convertible redeemable preferred shares	–	–	(38,368)	(38,368)
<b>(Loss) /profit before income tax</b>	<b>(11,884)</b>	<b>151,189</b>	<b>(45,259)</b>	<b>94,046</b>
Income tax expense	(355)	(8,354)	–	(8,709)
<b>Segment results</b>	<b>(12,239)</b>	<b>142,835</b>	<b>(45,259)</b>	<b>85,337</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 8 SEGMENT INFORMATION *(Continued)*

The segment information for the six months ended 30 June 2019 (unaudited) is as follows:

	SaaS products RMB' 000	ERP solutions RMB' 000	Unallocated items RMB' 000	Total RMB' 000
Revenues	202,174	286,171	–	488,345
<b>Gross profit</b>	190,440	186,561	–	377,001
<b>Operating (loss)/profit</b>	(27,173)	88,306	1,701	62,834
Finance income	16	69	–	85
Finance costs	(261)	(651)	–	(912)
<b>Finance costs – net</b>	(245)	(582)	–	(827)
Fair value changes of convertible redeemable preferred shares	–	–	–	–
<b>(Loss) /profit before income tax</b>	(27,418)	87,724	1,701	62,007
Income tax expense	117	(1,732)	–	(1,615)
<b>Segment results</b>	(27,301)	85,992	1,701	60,392

## 9 REVENUES

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

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
SaaS products	<b>333,383</b>	202,174
ERP solutions		
– Revenue from rendering of value-added services	<b>127,644</b>	107,949
– Revenue from software licensing	<b>101,955</b>	92,695
– Revenue from rendering of product support services	<b>62,463</b>	51,657
– Revenue from rendering of implementation services	<b>45,270</b>	33,870
	<b>670,715</b>	488,345

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9 REVENUES (Continued)

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
SaaS products		
– Revenues over time	312,977	200,779
– Revenues at a point in time	20,406	1,395
ERP solutions		
– Revenues over time	235,377	193,476
– Revenues at a point in time	101,955	92,695
	<b>670,715</b>	488,345

## 10 EXPENSES BY NATURES

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Employee benefit expenses	337,889	293,345
Share-based compensation (Note 23)	7,520	–
Commission expenses	122,168	81,767
Outsourcing expenses	35,587	30,656
Depreciation of right-of-use assets (Note 17)	11,297	9,893
IT and communication charges	10,728	4,556
Professional and technical service fees	9,216	7,114
Listing expenses	14,609	–
Traveling and entertainment expenses	8,759	13,524
Exhibition and promotion charges	3,533	6,439
Depreciation of property, plant and equipment (Note 16)	4,148	2,858
Short-term rental and utilities expenses	4,283	2,969
Costs of inventories sold	14,760	1,608
Taxes and surcharges	4,572	2,650
Office expenses	3,058	3,667
Amortization of intangible assets	577	253
Others	54	570
	<b>592,758</b>	461,869

No development expenses had been capitalised for the six months ended 30 June 2019 and 2020.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11 OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	2019 RMB' 000 (Unaudited)
Other government grants	<b>19,199</b>	9,338
Income from wealth management products (Note 18(a))	<b>9,625</b>	6,410
VAT refund	<b>7,958</b>	14,032
Income generated from offline activities and others	<b>4,730</b>	7,933
Dividend income from investments in unlisted equity securities included in financial assets at FVPL	<b>624</b>	–
	<b>42,136</b>	37,713

## 12 OTHER GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	2019 RMB' 000 (Unaudited)
Fair value gains on investments in redeemable preferred shares (Note 18(c))	<b>14,527</b>	–
Foreign exchange gains	<b>1,499</b>	–
Fair value gains on investments in unlisted equity securities included in financial assets at FVPL (Note 18(b))	<b>87</b>	1,701
Termination of leases	<b>235</b>	–
	<b>16,348</b>	1,701

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13 INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	2019 RMB' 000 (Unaudited)
Current income tax	<b>6,395</b>	3,662
Deferred income tax	<b>2,314</b>	(2,047)
<b>Income tax expense</b>	<b>8,709</b>	1,615

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 six months ended 30 June 2019 and 2020, being the standard income rate in the PRC. The differences are analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	2019 RMB' 000 (Unaudited)
Profit before income tax expense	<b>94,046</b>	62,007
Tax calculated at the statutory PRC tax rate of 25%	<b>23,512</b>	15,502
Tax losses for which no deferred income tax asset was recognised	<b>13,721</b>	11,159
Super deduction for research and development expenses	<b>(20,771)</b>	(18,429)
Utilisation of tax losses previously not recognised	<b>(6,541)</b>	(717)
Effects of different tax rates in overseas jurisdictions	<b>13,100</b>	–
Expenses not deductible for tax purpose	<b>233</b>	282
Effects of preferential tax rates applicable to PRC subsidiaries of the Group	<b>(14,545)</b>	(6,182)
<b>Income tax expense</b>	<b>8,709</b>	1,615

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13 INCOME TAX EXPENSE *(Continued)*

### (a) Super deduction for research and development expenses

According to the CIT laws and Detailed Implementation Rules, an enterprise is allowed to claim an additional deduction of 50% of research and development expenses incurred for the development of new technologies, new products and new craftsmanship from 2008 onwards. For the year ended 31 December 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 for the six months ended 30 June 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.

### (b) PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the six months ended 30 June 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. Based on management’s assessment, Ming Yuan Cloud Technology will probably meet those requirements for the year ended 31 December 2020. Therefore, Ming Yuan Cloud Technology used a preferential CIT rate of 10% for the six months ended 30 June 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. According to Cai Shui [2012] No.27 (財稅[2012] 27號) and Cai Shui [2016] No.49 (財稅[2016] 49號, “Circular 49”), The newly established software enterprises was entitled to tax exemption for two years commencing from the first year of profitable operation and thereafter to a preferential rate at half of the corporate income tax rate for three years. Based on management’s assessment, it is highly probable that Ming Yuan Cloud Client will meet the requirements for tax exemption of HNTE. Therefore, Ming Yuan Cloud Client was estimated to use a preferential corporate income tax rate of 0% for the six months ended 30 June 2020. The application of preferential tax rate stated above is subject to critical estimates of the management of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14 EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares issued in the Reorganisation described in the Historical Financial Information were assumed to have been issued and allocated on 1 January 2019 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 six months ended 30 June 2019 and 2020.

	<b>Six months ended 30 June</b>	
	<b>2020 (Unaudited)</b>	2019 (Unaudited)
Profit attributable to owners of the Company (RMB' 000)	<b>69,994</b>	54,996
Weighted average number of ordinary shares in issue (thousand) (Note)	<b>1,331,850</b>	1,331,850
Basic earnings per share (in RMB)	<b>0.05</b>	0.04

*Note:* The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issuance of shares in connection with the Reorganisation described in the Historical Financial Information completed on 3 July 2019 and 30 March 2020 in the Historical Financial Information and the share subdivision on 31 March 2020 whereby each ordinary share was subdivided into 10 ordinary shares (Note 22(e)). The 7,484,080 treasury shares issued on 30 March 2020 to MYC Marvellous Limited as disclosed in Note 22(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.

During the six months ended 30 June 2019, there were no dilutive potential shares.

During the six months ended 30 June 2020, the Group had two categories of potential ordinary shares which were the convertible redeemable preferred shares as mentioned in Note 26, and the restricted share units as mentioned in Note 23(2). The convertible redeemable preferred shares were anti-dilutive for the six months ended 30 June 2020 due to their conversion to ordinary shares would increase the earnings per share. The restricted share units were dilutive for the six months ended 30 June 2020 due to their conversion to ordinary shares would decrease the earnings per share.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14 EARNINGS PER SHARE *(Continued)*

### (b) Diluted earnings per share *(Continued)*

After considering all of the above factors, the diluted earnings per share was the same as the basic earnings per share for the six months ended 30 June 2019, while the diluted earnings per share was RMB0.05 for the six months ended 30 June 2020.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of the Company (RMB' 000)	69,994	54,996
Weighted average number of shares outstanding to assume conversion of all dilutive potential shares (thousand)	1,333,713	1,331,850
Diluted earnings per share (in RMB)	0.05	0.04

## 15 DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

## 16 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB' 000	Computer equipment RMB' 000	Furniture and office equipment RMB' 000	Motor vehicles RMB' 000	Leasehold improvements RMB' 000	Assets under construction RMB' 000	Total RMB' 000
<b>(Unaudited)</b>							
<b>At 1 January 2020</b>							
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	29,532	8,161	3,261	39	4,441	72,849	118,283
<b>Six months ended 30 June 2020</b>							
Opening net book amount	29,532	8,161	3,261	39	4,441	72,849	118,283
Additions	-	1,507	1,972	-	3,711	6,608	13,798
Depreciation charge	(348)	(1,447)	(665)	-	(1,688)	-	(4,148)
Closing net book amount	29,184	8,221	4,568	39	6,464	79,457	127,933
<b>At 30 June 2020</b>							
Cost	35,081	25,449	10,731	789	12,849	79,457	164,356
Accumulated depreciation	(5,897)	(17,228)	(6,163)	(750)	(6,385)	-	(36,423)
Net book amount	29,184	8,221	4,568	39	6,464	79,457	127,933

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB' 000	Computer equipment RMB' 000	Furniture and office equipment RMB' 000	Motor vehicles RMB' 000	Leasehold improvements RMB' 000	Assets under construction RMB' 000	Total RMB' 000
<b>(Unaudited)</b>							
<b>At 1 January 2019</b>							
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	30,227	6,740	1,796	113	2,934	68,262	110,072
<b>Period ended 30 June 2019</b>							
Opening net book amount	30,227	6,740	1,796	113	2,934	68,262	110,072
Additions	–	2,065	922	–	1,455	2,067	6,509
Depreciation charge	(347)	(1,133)	(368)	(40)	(970)	–	(2,858)
Closing net book amount	29,880	7,672	2,350	73	3,419	70,329	113,723
<b>At 30 June 2019</b>							
Cost	35,081	22,711	7,366	789	6,800	70,329	143,076
Accumulated depreciation	(5,201)	(15,039)	(5,016)	(716)	(3,381)	–	(29,353)
Net book amount	29,880	7,672	2,350	73	3,419	70,329	113,723

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	2019 RMB' 000 (Unaudited)
General and administrative expenses	<b>2,775</b>	1,571
Research and development expenses	<b>1,373</b>	1,287
	<b>4,148</b>	2,858

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 17 LEASES

### (a) Amounts recognised in the statements of financial position

The statements of financial position show the following amounts relating to leases:

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
<b>Right-of-use assets</b>		
– Buildings	<b>36,295</b>	43,657
– Land use right	<b>7,121</b>	7,207
	<b>43,416</b>	50,864
<b>Lease liabilities</b>		
– Current	<b>18,570</b>	20,052
– Non-current	<b>23,176</b>	29,175
	<b>41,746</b>	49,227

Additions to the buildings in right-of-use assets for the six months ended 30 June 2019 and the six months ended 30 June 2020 were RMB6,579,000 and RMB15,492,000, respectively. Additions to the land use right in right-of-use assets for the six months ended 30 June 2019 and the six months ended 30 June 2020 were nil and nil respectively.

Disposals to the buildings in right-of-use assets for the six months ended 30 June 2019 and the six months ended 30 June 2020 were nil and RMB11,643,000, respectively. Disposals to the land use right in right-of-use assets for the six months ended 30 June 2019 and the six months ended 30 June 2020 were nil and nil respectively.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 17 LEASES (Continued)

### (b) Amounts recognised in profit or loss

The consolidated statements of comprehensive income show the following amounts relating to leases:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	2019 RMB' 000 (Unaudited)
Depreciation charge of right-of-use assets		
– Buildings	<b>11,211</b>	9,807
– Land use right	<b>86</b>	86
Interest expense (included in finance costs)	<b>980</b>	912

The total cash outflow from financing activities for leases for the six months ended 30 June 2019 and 30 June 2020 were RMB9,348,000 and RMB11,620,000, and the total cash outflow from operating activities for leases for the six months ended 30 June 2019 and 30 June 2020 were nil and RMB1,280,000.

## 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at</b> <b>30 June</b> <b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
	Investments in wealth management products (a)	<b>574,028</b>
Investments in unlisted equity securities (b)	<b>1,810</b>	1,723
Investments in redeemable preferred shares (c)	<b>48,967</b>	34,440
	<b>624,805</b>	126,163
Less: non-current portion		
Investments in unlisted equity securities (b)	<b>(1,810)</b>	(1,723)
Investments in redeemable preferred shares (c)	<b>(48,967)</b>	(34,440)
	<b>574,028</b>	90,000

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

### (a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

	<b>Six months ended 30 June 2020 RMB' 000 (Unaudited)</b>	Six months ended 30 June 2019 RMB' 000 (Unaudited)
At the beginning of the period	<b>90,000</b>	–
Acquisitions	<b>1,561,830</b>	1,580,110
Disposals	<b>(1,087,427)</b>	(1,258,538)
Unrealised changes in fair value	<b>3,628</b>	22
Realised income	<b>5,997</b>	6,388
At the end of the period	<b>574,028</b>	327,982

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 7.3 for details.

As at 31 December 2019 and 30 June 2020, all wealth management products are mature within 1 year.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

### (b) Investments in unlisted equity securities

The Group's investments in unlisted equity securities included in financial assets at FVPL represent the investment in certain privately owned companies. For the fair value estimation, please refer to Note 7.3 for details.

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

	<b>Six months ended 30 June 2020 RMB' 000 (Unaudited)</b>	Six months ended 30 June 2019 RMB' 000 (Unaudited)
At the beginning of the period	<b>1,723</b>	29,350
Disposals	–	(29,262)
Unrealised changes in fair value	<b>87</b>	(7,761)
Realised gains	–	9,462
At the end of the period	<b>1,810</b>	1,789

### (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 7.3 for details.

Movements of investments in redeemable preferred shares were as follows:

	<b>Six months ended 30 June 2020 RMB' 000 (Unaudited)</b>	Six months ended 30 June 2019 RMB' 000 (Unaudited)
At the beginning of the period	<b>34,440</b>	12,000
Acquisitions	–	19,800
Unrealised changes in fair value	<b>14,527</b>	–
At the end of the period	<b>48,967</b>	31,800

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

### (c) Investments in redeemable preferred shares *(Continued)*

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.

## 19 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 7.3 for details.

Movements of investments in unlisted equity securities were as follows:

	<b>Six months ended 30 June 2020 RMB’ 000 (Unaudited)</b>	Six months ended 30 June 2019 RMB’ 000 (Unaudited)
At the beginning of the period	<b>32,183</b>	26,554
Unrealised changes in fair value	<b>(4,040)</b>	463
At the end of the period	<b>28,143</b>	27,017

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
Trade receivables from contracts with customers	<b>26,136</b>	24,237
Less: Allowance for impairment	<b>(3,924)</b>	(3,275)
Trade receivables – net	<b>22,212</b>	20,962
Prepayments to suppliers	<b>7,593</b>	6,145
Prepayments for employee benefits	<b>2,372</b>	3,201
Prepaid listing expenses	<b>5,732</b>	1,281
Prepayments	<b>15,697</b>	10,627
Rental and other deposits	<b>6,669</b>	6,863
Others	<b>3,858</b>	3,451
Less: Allowance for impairment of other receivables	<b>(182)</b>	(197)
Other receivables – net	<b>10,345</b>	10,117
Trade receivables, prepayments and other receivables	<b>48,254</b>	41,706
Less: Non-current deposits	<b>(5,515)</b>	(5,034)
Current portion	<b>42,739</b>	36,672

### (a) Trade receivables

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
Trade receivables from contracts with customers	<b>26,136</b>	24,237
Less: Allowance for impairment	<b>(3,924)</b>	(3,275)
	<b>22,212</b>	20,962

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

### (a) Trade receivables *(Continued)*

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

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
<b>Aging</b>		
Up to 3 months	<b>14,402</b>	17,489
3 to 6 months	<b>1,481</b>	1,043
6 months to 1 year	<b>6,315</b>	926
1 to 2 years	<b>3,538</b>	4,217
Over 2 years	<b>400</b>	562
	<b>26,136</b>	24,237

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 30 June 2020 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

### (a) Trade receivables *(Continued)*

On that basis, the loss allowance as at 30 June 2020 and 31 December 2019 was determined as follows for both trade receivables and contract assets:

<b>30 June 2020</b>	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>Over 2 years</b>	<b>Total</b>
(Unaudited)						
Expected loss rate	<b>5.0%</b>	<b>12.8%</b>	<b>20.0%</b>	<b>38.2%</b>	<b>100.0%</b>	
Gross carrying amount (RMB' 000)						
– trade receivables	<b>14,402</b>	<b>1,481</b>	<b>6,315</b>	<b>3,538</b>	<b>400</b>	<b>26,136</b>
Gross carrying amount (RMB' 000)						
– contract assets	<b>49,146</b>	<b>3,884</b>	<b>7,091</b>	<b>1,019</b>	<b>79</b>	<b>61,219</b>
Loss allowance (RMB' 000)	<b>3,175</b>	<b>686</b>	<b>2,680</b>	<b>1,743</b>	<b>479</b>	<b>8,763</b>
<b>31 December 2019</b>	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>Over 2 years</b>	<b>Total</b>
(Audited)						
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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 20 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

### (a) Trade receivables *(Continued)*

The loss allowances for trade receivables and contract assets as at 30 June 2020 and 30 June 2019 reconcile to the opening loss allowances as follows:

	Contract assets		Trade receivables	
	Six months ended 30 June 2020 RMB'000 (Unaudited)	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2020 RMB'000 (Unaudited)	Six months ended 30 June 2019 RMB'000 (Unaudited)
<b>At the beginning of the period</b>	<b>1,715</b>	915	<b>3,275</b>	1,603
Increase in loss allowance recognised in profit or loss during the year/period	<b>3,124</b>	1,662	<b>649</b>	1,622
Receivables written off during the year/period as uncollectible	–	–	–	–
<b>At the end of the period</b>	<b>4,839</b>	2,577	<b>3,924</b>	3,225

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 21 CASH AND CASH EQUIVALENTS

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
Cash at bank and on hand (a)	<b>269,995</b>	732,955
Less: Restricted cash (b)	<b>(49)</b>	(748)
Cash and cash equivalents	<b>269,946</b>	732,207

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

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
RMB	<b>156,977</b>	601,102
USD	<b>113,013</b>	131,843
HKD	<b>5</b>	10
	<b>269,995</b>	732,955

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 22 SHARE CAPITAL

### Authorized:

	Number of ordinary shares '000	Nominal value of ordinary shares HKD'000	Number of Preferred Shares '000	Nominal value of Preferred Shares HKD'000
<b>As at 3 July 2019</b> <b>(incorporation date of the Company)</b>	–	–	–	–
Ordinary shares (a)	370,987	371	–	–
Preferred Shares (c)	–	–	9,013	9
<b>As at 31 December 2019</b>	370,987	371	9,013	9
<b>As at 1 January 2020</b>	<b>370,987</b>	<b>371</b>	<b>9,013</b>	<b>9</b>
Share Sub-Division on 31 March 2020 (e)	<b>3,338,883</b>	–	<b>81,117</b>	–
<b>As at 30 June 2020</b>	<b>3,709,870</b>	<b>371</b>	<b>90,130</b>	<b>9</b>

### Issued:

	Number of ordinary shares '000	Nominal value of ordinary shares HKD'000	Share capital RMB'000	Treasury shares RMB'000	Total RMB'000
<b>As at 3 July 2019</b> <b>(incorporation date of the Company)</b>	–	–	–	–	–
Issuance of ordinary shares from the Reorganisation (b)	121,990	122	107	–	107
<b>As at 31 December 2019</b>	121,990	122	107	–	107
<b>As at 1 January 2020</b>	<b>121,990</b>	<b>122</b>	<b>107</b>	–	<b>107</b>
Issuance of ordinary shares (d)	<b>18,679</b>	<b>19</b>	<b>17</b>	–	<b>17</b>
Treasury shares (d)	<b>(7,484)</b>	<b>(8)</b>	–	<b>(7)</b>	<b>(7)</b>
Share Sub-Division on 31 March 2020 (e)	<b>1,198,665</b>	–	–	–	–
<b>As at 30 June 2020</b>	<b>1,331,850</b>	<b>133</b>	<b>124</b>	<b>(7)</b>	<b>117</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 22 SHARE CAPITAL *(Continued)*

- (a) The Company was incorporated in the Cayman Islands on 3 July 2019 with authorized 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 described in the Historical Financial Information, 121,990,200 ordinary shares were issued on 3 July 2019.
- (c) 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 26.
- (d) The Company allotted and issued 11,194,800 and 7,484,080 ordinary shares to Beijing Chenchuang and MYC Marvellous Limited on 30 March 2020, respectively. As disclosed in Note 23(2), MYC Marvellous Limited is controlled by the Company and therefore the ordinary shares issued was presented as treasury shares.
- (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 authorized 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.

## 23 SHARE-BASED COMPENSATION

### 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. As of 30 June 2020, no shares were vested to employees and therefore they were presented as treasury shares.

On 10 April 2020, the Company granted restricted share units ("RSUs") to the Group's employees (the "Grantees") subject to the 2020 Share Incentive Plan, representing 1 ordinary share of par value HKD0.0001 each in the share capital of the Company. The RSUs awarded are subject to a vesting scale in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met and the RSUs are released, the shares shall be subject to applicable restrictions in the award and any legal restrictions.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 23 SHARE-BASED COMPENSATION *(Continued)*

### 2020 share incentive plan of Ming Yuan Cloud Group Holdings Limited (the "2020 Share Incentive Plan") *(Continued)*

Details of RSUs are as follows:

<b>Grant date</b>	<b>Number of RSUs</b>	<b>Vesting condition</b>
10 April 2020	3,600,000	To be vested on the date on which the shares of the Company are listed on the Stock Exchange of Hong Kong Limited (the "Listing Date").
10 April 2020	17,500,000	30% are to be vested two years from the Listing Date 30% are to be vested three years from the Listing Date 20% are to be vested four years from the Listing Date 20% are to be vested five years from the Listing Date

The exercise price is RMB0.42 per share and will be deducted from the transaction price when the employees dispose of the shares.

The share-based compensation expenses recognised during the six months ended 30 June 2019 and 2020 are summarised in the following table:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Share-based compensation expenses	<b>7,520</b>	–

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 23 SHARE-BASED COMPENSATION *(Continued)*

### 2020 share incentive plan of Ming Yuan Cloud Group Holdings Limited (the “2020 Share Incentive Plan”) *(Continued)*

#### *Expected retention rate*

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of the vesting periods of the virtual share options (the “Expected Retention Rate”) in order to determine the amount of share-based compensation expenses charged to the consolidated statements of comprehensive income. As at 30 June 2020, the Expected Retention Rate was assessed to be 96%.

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

	Number of RSUs	Weighted average grant date fair value per RSU (RMB)
Granted at 10 April 2020	21,100,000	2.50
<b>Outstanding as at 30 June 2020</b>	<b>21,100,000</b>	<b>2.50</b>

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

## 24 TRADE PAYABLES

	As at 30 June 2020 RMB' 000 (Unaudited)	As at 31 December 2019 RMB' 000 (Audited)
Trade payables to third parties	<b>31,382</b>	23,921

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 24 TRADE PAYABLES (Continued)

As at 31 December 2019 and 30 June 2020, the aging analysis of the trade payables based on invoice date were are follows:

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
Aging Up to 3 months	<b>31,382</b>	23,921

## 25 OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
Accrued payroll and employee benefit expenses	<b>75,169</b>	133,423
VAT and surcharges payable	<b>20,421</b>	23,585
Accrued listing expenses	<b>15,171</b>	4,822
Operating expenses advanced by employees	<b>3,350</b>	8,152
Commissions payable to regional channel partners	<b>2,006</b>	2,091
Deposits from regional channel partners	<b>1,464</b>	1,455
Others	<b>4,847</b>	5,147
	<b>122,428</b>	178,675

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 26 CONVERTIBLE REDEEMABLE PREFERRED SHARES

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 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:

	RMB' 000
<b>As at 3 July 2019</b>	
<b>(incorporation date of the Company)</b>	–
Issuance of Series A Preferred Shares	313,929
<b>As at 31 December 2019</b>	313,929
	<b>RMB' 000</b>
<b>As at 1 January 2020</b>	<b>313,929</b>
Fair value changes	<b>38,368</b>
Currency translation differences	<b>5,020</b>
<b>As at 30 June 2020</b>	<b>357,317</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 26 CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

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:

	<b>As at 30 June 2020 RMB' 000</b>	As at 31 December 2019 RMB' 000
Discount rate	<b>16.00%</b>	16.38%
Risk-free interest rate	<b>2.28%</b>	2.80%
Discount for lack of control	<b>20.89%</b>	20.89%
Discount for lack of marketability	<b>21.76%</b>	25.55%
Expected volatility	<b>53.00%</b>	47.00%

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 RMB373,000 and RMB393,000 respectively. Increasing/Decreasing discount rate by 1% would decrease/increase the fair value by RMB3,030,000 and RMB3,614,000 respectively.

## 27 COMMITMENTS

### (a) Capital commitments

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

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
Assets under construction	<b>30,835</b>	37,618

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 27 COMMITMENTS *(Continued)*

### (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:

	<b>As at 30 June 2020 RMB' 000 (Unaudited)</b>	As at 31 December 2019 RMB' 000 (Audited)
Within 1 year	<b>893</b>	691

## 28 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties were related parties that had transactions or balances with the Group for the six months ended 30 June 2019 and 2020:

### (a) Related party transactions

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 28 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

### (b) Key management personnel compensation

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB' 000</b> <b>(Unaudited)</b>	2019 RMB' 000 (Unaudited)
Salaries, wages, and bonuses	<b>1,767</b>	1,737
Pension costs – defined contribution plans	<b>46</b>	113
Other social security costs, housing benefits and other employee benefits	<b>116</b>	124
	<b>1,929</b>	1,974

## 29 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as at 30 June 2020.

## 30 SUBSEQUENT EVENTS

On 25 September 2020 (the "Listing Date"), 373,204,000 shares of HKD0.0001 each were issued at a price of HKD16.5 per share in connection with the Company's share offering and listed on the Main Board of The Stock Exchange of Hong Kong Limited.

An aggregate of issued 90,125,190 Series A Preferred Shares were converted to 90,125,190 ordinary shares at HKD16.5 per share immediately prior to the completion of the listing of the its shares. The difference between the carrying amount of the Series A Preferred Shares as of 30 June 2020 and their fair value as of the Listing Date shall be recorded in the profit or loss during the second half of 2020.

On the Listing Date, 3,600,000 RSUs at exercise price of RMB0.42 were vested under the Share Incentive Plan.

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

“1H2019”	for the six months ended June 30, 2019
“1H2020”	for the six months ended June 30, 2020
“Audit Committee”	the audit committee of the Board
“Board”, “our Board” or “Board of Directors”	the board of directors of our Company
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China, for the purposes of this report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Company”, “our Company”, or “the Company”	Ming Yuan Cloud Group Holdings Limited (明源雲集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on July 3, 2019
“Consolidated Affiliated Entity”	the entity that we control through contractual arrangements
“Director(s)”	the director(s) of our Company
“Global Offering”	the Hong Kong public offering and the international offering of the offer shares
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and its subsidiaries and Consolidated Affiliated Entity from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entity, such subsidiaries and Consolidated Affiliated Entity as if they were subsidiaries and Consolidated Affiliated Entity of our Company at the relevant time

## DEFINITIONS

“HKD” or “HK\$” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“IPO”	the initial public offering of our Shares on the Stock Exchange
“Latest Practicable Date”	September 25, 2020, being the latest practicable date for ascertaining certain information in this report
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	September 25, 2020, being the date on which the Shares were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“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
“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

“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Prospectus”	the prospectus of our Company, dated September 15, 2020, in relation to the Global Offering
“Reporting Period”	the six months ended June 30, 2020
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital our Company with a nominal value of HK\$0.0001 each
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	United States of America
“USD” or “US\$” or “US dollars”	United States Dollars, the lawful currency of the U.S.
“YoY”	year-on-year
“%”	per cent.

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

## GLOSSARY OF TECHNICAL TERMS

“AI”	artificial intelligence
“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
“cloud-based”	applications, services or resources made available to users on demand via the Internet from a cloud computing provider’s servers with access to shared pools of configurable resources
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“CRM”	customer relationship management, a strategy for managing an organization’s relationships and interactions with customers and potential customers
“customer entity”	a legal entity which subscribes for our software solutions by entering into contracts with us or our regional channel partners (who are responsible for marketing and selling our software solutions in designated geographic locations), as the case may be, and uses such software solutions, during the relevant period

## GLOSSARY OF TECHNICAL TERMS

“data analytics”	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions
“ERP”	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
“PaaS”	platform as a service, a category of cloud computing services that provides a platform and environment to allow developers to build applications over the Internet
“paying end group customer”	a legal entity that (i) is the largest shareholder of a customer entity with at least 30% of voting interests of such customer entity; (ii) is the largest shareholder owning at least 30% of voting interests of a legal entity that owns at least 50% of voting interests of a customer entity; or (iii) owns at least 50% of voting interests of a legal entity that owns at least 30% of voting interests of a customer entity, together with such affiliated customer entities, are deemed as one paying end group customer. For avoidance of doubt, in respect of ERP solutions, we generate revenues from direct sales to our paying end group customers and sales to our regional channel partners, and in respect of SaaS products, we generate revenues from sales to our paying end group customers both directly and through our regional channel partners

## GLOSSARY OF TECHNICAL TERMS

“PC”	personal computer
“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