



Annual Report 2020 (Summary)

Stock Abbreviation: Glodon

Stock Code: 002410

March 2021

I. Important Notice

This summary of annual report is abstracted from the full text of the Annual Report 2020. In order to fully understand the Company's operating results, financial position and future development plans, investors are advised to carefully read the full text of the Annual Report 2020 on the media designated by the China Securities Regulatory Commission.

This English version of Annual Report 2020 (Summary) is translated from the Chinese version of the same. In case of discrepancy, the Chinese version disclosed by the Company shall prevail.

All Directors attended the board meeting to review this report in person, except for the following director:

Name of the absent director	Title of the absent director	Reason for absence	Name of the delegate
Guo Xinping	Independent director	Reasons related to work	Ma Yongyi

Non-standard audit opinion notification:

Applicable Not applicable

The profit distribution proposal for ordinary shares or the proposal to capital reserve capitalization for the Reporting Period as considered by the Board of Directors

Applicable Not applicable

Whether to implement capital reserve capitalization

Yes No

The Company's profit distribution proposal for ordinary shares reviewed and approved by the Board of Directors is as follows: Based on the total share capital on the equity registration date when the profit distribution plan is implemented in 2021, a cash dividend of 2.5 Yuan (tax included) for every 10 shares will be distributed to all shareholders, and there will be no bonus share (tax included) or capital reserve capitalization.

Profit distribution proposal for preferred shares during the Reporting Period passed by the Board of Directors

Applicable Not applicable

II. Company Profile

1. Company Information

Stock abbreviation	Glodon	Stock code	002410
Stock Exchange	Shenzhen Stock Exchange		
Contact information	Board secretary	Securities affairs representative	
Name	Li Shujian	Zhu Nana	
Office address	E-13, 10 Xibeiwang East Road, Haidian District, Beijing, China	E-13, 10 Xibeiwang East Road, Haidian District, Beijing, China	
Tel	010-5640 3059	010-5640 3059	
Email	lisj-c@glodon.com	zhunn@glodon.com	

2. Main Business of the Company

1. External Environment

The National Informatization Development Strategy Outline in the "13th Five-Year Plan" of China proposes to achieve initial results in the construction of a "Digital China" by 2020. The report of the 19th National

Congress of the Communist Party of China proposes to provide supports for the construction of “Digital China” by focusing on technical innovations. Overall digitalization has become a trend of China’s economic development, and the digital economy has become a new engine for China’s economic transformation and upgrading. According to the “White Paper on the Development of China’s Digital Economy (2020)”, the value-added scale of China’s digital economy expanded from 2.6 trillion Yuan in 2005 to 35.8 trillion Yuan in 2019, and its percentage in national GDP increased from 14.2% to 36.2%.

To meet the deployment requirements of the “Guiding Opinions on Promoting the Sustainable and Healthy Development of the Construction Industry” publicized by the General Office of the State Council of China, the construction industry has undergone continuous reforms in recent years, and the industrial structure has continued to improve. Construction cost business developing in the direction that the market determines prices, and the construction cost estimation quota, construction cost estimation information, construction cost industry management, and construction cost consultancy results are developing in the direction of digitization. The government promoted the construction organization method of general contracting of projects, and encouraged design units to apply for construction qualifications, and construction units to apply for design qualifications, or form a consortium to participate in general contracting of construction projects, thereby stimulating enterprises to become bigger and stronger and unite with each other. Moreover, the government simplified the types and grades of enterprise qualifications, canceled all qualifications that can be adjusted by the market mechanism, and streamlined and merged the reserved qualifications, for example, it canceled the qualification grades and operating scope restrictions of construction labor service companies, canceled labor qualification approvals in some areas, and promoted multiple labor operation methods such as self-owned labor, labor subcontracting and labor dispatch, with an aim to further stimulate the vitality of the construction labor market. The government also promoted the modernization and upgrade of construction methods, and stimulated the integrated application of BIM technology in the whole process of planning, survey, design, construction, and operation & maintenance, thus realizing data sharing and information management during the whole life cycle of construction projects, and encouraging enterprises to develop in an industrial road focusing on technologies, equipment and synergy.

During the development of the construction industry from quantity growth to quality growth, “digital building” deeply integrates digital technologies with the construction industry. There has initially appeared a synergy effect between digital technologies characterized by “digitalization, online and intelligence” and traditional construction industry featured by “whole process, full elements and all participants”. A new system of the construction industry is being reconstructed in an all-round way, reshaping the productivity and production relations of the construction industry. In this way, “digital building” is becoming the core engine for the transformation and upgrading of the construction industry.

2. Overview of our Business

Focusing on the construction industry, the Company provides customers with digital software and hardware products, application solutions and related services in the entire life cycle of engineering projects. The Company’s business area is gradually expanding from the bidding stage to the full life cycle of engineering projects. Our products have extended from single budget software to multiple business areas including digital constructions cost, digital construction management, and digital design, covering tools & software, solutions, big data, mobile

Internet, cloud computing, smart hardware equipment, industrial financial services and other business forms.

In terms of the differences in business stages and customer services, the Company's businesses are divided into two major business segments and several innovation business units, namely, construction cost business segment, construction management business segment, and innovation business units including digital supply & procurement, digital city, digital finance and digital education. By different business areas, our businesses are divided into domestic business and overseas business.

Construction cost business is a mature business segment of the Company. It mainly provides software services and data tools for managing construction costs, including pricing, quantity takeoff and engineering information. After more than twenty years of development, this business segment has obvious competitive advantages in China. During the Reporting Period, the cloud-based transformation of construction cost business has covered 25 regions across China, and the cloud-based revenue reached 1.622 billion Yuan, accounting for 58.12% of the revenue of our construction cost business.

Construction management business is the growth business of the Company with key breakthroughs. It mainly focuses on the construction process of engineering projects. Through the "platform + module" model, it provides construction companies with platform solutions through the sales of software and hardware products. During the Reporting Period, the construction management business continued to strengthen its product value and released the project-enterprise integration 1.0 solution. It actively adjusted sales strategies, accelerated cash collection, and achieved healthy growth in operating cash flow.

Innovation business units are some emerging businesses incubated by the Company. Relying on our experiences accumulated in digital project management platforms and related products, these businesses are oriented for different market segments in the construction industry and provide support and guarantee for transformation and upgrading of the construction industry in multiple dimensions such as supply chain services, intelligent construction of industrial zones, and talent trainings. During the Reporting Period, the innovation business units still focused on product optimization and benchmark project verification, and have not entered mass sales yet.

In respect of our overseas businesses, one segment is Cubicost, a series of international products for construction cost business, which mainly explores Southeast Asian markets; the other segment relies on the electromechanical BIM-related business of our subsidiary in Finland, which becomes the MagiCAD product line, mainly covering the Europe and the United States markets.

3. Major accounting data and financial indicators

(1) Major accounting data and financial indicators for the previous three years

Whether the Company need to retrospectively adjust or restate its accounting data for previous years

Yes No

Unit: Yuan

	2020	2019	Year-on-year Change	2018
Operating income	3,947,083,029.86	3,464,151,444.58	13.94%	2,861,555,260.70
Net profit attributable to shareholders of the listed company	330,388,350.03	235,072,017.67	40.55%	439,076,938.97

Net profit attributable to shareholders of the listed company after deduction of non-recurring profit and loss	301,547,467.71	190,912,170.61	57.95%	409,300,928.56
Net cash flow from operating activities	1,876,130,837.67	640,918,549.42	192.73%	452,703,109.14
Basic earnings per share (Yuan/share)	0.2867	0.2087	37.37%	0.3923
Diluted earnings per share (Yuan/share)	0.2858	0.2086	37.01%	0.3918
Weighted average ROE	6.94%	7.47%	-0.53%	14.14%
	2020 Year-end	2019 Year-end	Year-on-year Change	2018 Year-end
Total assets	9,547,097,154.33	6,167,316,188.03	54.80%	5,605,752,562.97
Net assets attributable to shareholders of the listed company	6,402,241,169.54	3,269,226,858.97	95.83%	3,192,457,123.40

(2) Quarterly major accounting data

Unit: Yuan

	Q1	Q2	Q3	Q4
Operating income	547,949,298.80	1,031,293,926.31	965,562,754.66	1,402,277,050.09
Net profit attributable to shareholders of the listed company	52,971,944.97	77,055,943.62	99,750,203.44	100,610,258.00
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit and loss	47,722,895.19	63,979,143.96	96,045,750.09	93,799,678.47
Net cash flow from operating activities	-19,080,722.74	608,731,074.87	434,037,532.24	852,442,953.30

Whether the above financial indicators or their sums are significantly different from those disclosed in the Company's quarterly financial reports or interim financial reports

Yes No

4. Share capital and shareholders

(1) Table of numbers of ordinary shareholders and preferred shareholders with restored voting rights and the shareholding of top 10 shareholders

Unit: share

Total number of ordinary shareholders at the end of the reporting period	29,546	Total number of ordinary shareholders at the end of the month before disclosure date of annual report	34,611	Total number of preferred shareholders with restored voting rights at the end of the reporting period	0	Total number of preferred shareholders with restored voting rights at the end of the month before disclosure date of annual report	0
Shareholding of top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held	Number of shares subject to sales restriction	Pledged or frozen		
					Status of share	Quantity of share	
Diao Zhizhong	Domestic natural person	16.03%	190,064,845	146,298,634	Pledged	14,229,253	
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	10.63%	126,043,910	0			

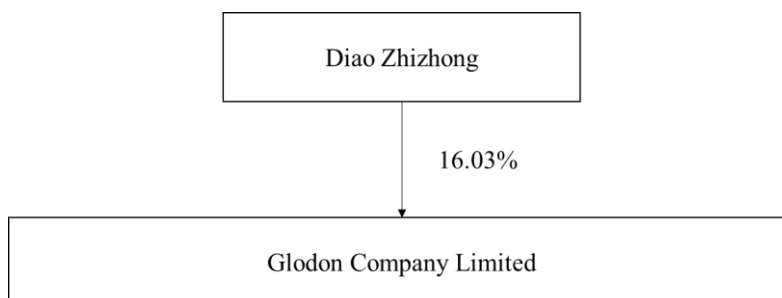
Chen Xiaohong	Domestic natural person	4.59%	54,370,000	0	
Wang Jinhong	Domestic natural person	4.52%	53,648,833	42,239,664	
Tu Jianhua	Domestic natural person	3.84%	45,502,389	0	
UBS AG	Overseas legal person	3.16%	37,456,466	0	
Hillhouse Capital Management Co.,Ltd.-China Value Fund (Exchange)	Overseas legal person	2.51%	29,714,738	0	
An Jinghe	Domestic natural person	2.18%	25,824,937	0	
MERRILL LYNCH INTERNATIONAL	Overseas legal person	2.01%	23,800,979	0	
Wang Xiaofang	Domestic natural person	1.69%	20,000,000		
Explanation on the above shareholders' connected relationship or acting in concert		There is no connection among the above natural person shareholders, nor are they persons acting in concert as regulated in the Measures for Management on Acquisition of Listed Companies. The Company is also not aware of any connected relationship among other shareholders or whether they are acting in concert as regulated in the Measures for Management on Acquisition of Listed Companies.			
Description of shareholders participating in Margin Trading (if any)		Not applicable			

(2) Table of number of preferred shareholders and the shareholding of top 10 preferred shareholders

Applicable Not applicable

During the Reporting Period, there is no information about the shareholding of preferred shareholders of the Company.

(3) Chart of equity and controlling relationship between the Company and the actual controller



5. Corporate bonds

Whether the Company has any corporate bonds which are publicly issued and listed on the stock exchange and are not due on the approval date of the Annual Report or have not been fully redeemed at maturity

None.

III. Management Discussion and Analysis

1. Business overview in the Reporting Period

The year 2020 was an extraordinary year. In the face of the unexpected COVID-19 pandemic, the Chinese people overcame the difficulties together and achieved significant results in both pandemic prevention and control as well as economic development, realizing positive economic growth for the year, with GDP stepping up to a new level of RMB100 trillion. The COVID-19 pandemic objectively accelerated the digitization of the whole

society, enabling the digital economy to gradually penetrate from the consumer sector such as mobile payment and e-commerce to the production sector represented by online office, online consultation and teleconferencing, while promoting digital collaboration in all sectors of society and boosting the digital transformation of traditional industries.

As a digital building platform service provider, the Company seized the opportunity of digital transformation and upgrading of the construction industry in the context of the pandemic, and assisted customers to carry out production activities under the regular pandemic prevention and control through various initiatives such as online services, remote authorization and digital marketing, while providing products and services covering various aspects such as job efficiency improvement, organizational upgrading and management improvement to help customers drive their operations through the digital platform.

The year of 2020 marks the first year for the Company's "Eighth Three-Year" Strategy, and is the assertive stage to start a new undertaking. During the Reporting Period, despite the impact of the COVID-19 pandemic, the Company adhered to the keynote of "standing on both the prevention and control of the pandemic and the pursue of business development" with all set targets fully accomplished: the cloud transformation of Construction Cost Segment continued to deepen, and market-based pricing products and big data products were launched one after another, realizing the "technology" upgrade of the brand cost; the Construction Management Segment adjusted its business management focus and strengthened the collection of funds, with the healthy growth of operating cash flow being achieved, the quality of operations being guaranteed while the number of customers and projects being scaled up; in the Innovation Segment, the Company acquired Luoyang Hongye Information Technology Co., Ltd. to layout for the Digital Design Business and introduce investors to the Digital Financial Services Business, with a breakthrough being achieved in the key project of CIM platform in Digital City.

During the Reporting Period, the Company recorded a total Operating income of 4.005 billion Yuan, representing a YoY increase of 13.10%. Operating profit amounted to 414 million Yuan representing a YoY increase of 42.65%. Net profit attributable to shareholders of the Company amounted to 330 million Yuan, representing a YoY increase of 40.55%. As at the end of the Reporting Period, the balance of contract liability from cloud transformation related services (the "contract liability from cloud services") increased to 1.511 billion Yuan. This amount could not be recognized as Operating income for the current period as it was part of the cloud service fees that had been collected. If the contract liability was included, the total pro forma Operating income would amount to 4.621 billion Yuan, representing a YoY increase of 14.97% on the same basis and the pro forma net profit attributable to shareholders of the Company would amount to 886 million Yuan, representing a YoY increase of 32.89% on the same basis. (Note: total pro forma Operating income = total Operating income + contract liabilities as at the end of the period – contract liabilities as at the beginning of the period. The pro forma net profit attributable to shareholders of the Company = net profit attributable to shareholders of the Company + (contract liabilities as at the end of the period – contract liabilities as at the beginning of the period) * 90%).

During the Reporting Period, the Company continued to strengthen R&D, maintaining a key layout in the fields of graphics technology, artificial intelligence, cloud computing and big data, and exploring ways for application of new frontier technologies such as blockchain, robotics and derivative design. In terms of "technology support business", we have achieved breakthroughs in several geometric algorithms in graphics

technology, and realized construction design BIMMake and decoration design BIMDeco supported by BIM realistic visualization technology; computer vision algorithm capability in AI field has been continuously improved, and CAD intelligent analysis has achieved a breakthrough in drawing division technology. In terms of "technology-driven business", the Company continued to precipitate the middle desk for technological development and data middle desk, and launched many kinds of lightweight development tools; we have established digital production and research capabilities, and promoted agile improvement of R&D; and we also comprehensively improved the technical infrastructure, and completed the cloud-neutral transformation of the whole line of internal cloud products. In terms of "technology become the business", BIMFACE has successfully expanded from BIM lightweight technology to BIM-GIS integration engine, realizing the basic technology system that integrates BIM and GIS and becoming the core engine supporting Glodon's CIM platform. During the Reporting Period, the Company embedded intellectual property rights into product lifecycle management, stimulated staff innovation through the intellectual property rights reward system, and promoted the continuous emergence of fresh technologies; by the end of 2020, we have been granted with 191 patents, registered 907 software copyrights and 471 trademarks.

During the Reporting Period, the Company made an effort to promote management improvement, updated its strategic methodology, organizational support system and distribution system: introduced the Develop Strategy To Execution system, reshaped the methods and processes from strategic planning to strategy implementation, and ensured the implementation of strategic intentions; accelerated the construction of "Digital Glodon", drove the Company's organizational transformation and upgrade by digital technology, optimized the processes of marketing, R&D, human resources and finance, initially realizing the digitization of four key scenarios such as operation analysis, customer analysis, product analysis and human resources analysis; upgraded the framework of the compensation system, formulated the compensation strategy of "serving strategy execution, paying for high performance and cultivating competitive advantages", and opened up the whole process of "grading by post and ability, compensating by grade and matching people and salary with posts" to enhance performance flexibility and help build the talent echelon of "skilled employees and experienced managers".

In June 2020, the Company completed its first equity financing since its IPO, raising nearly RMB2.7 billion. At the end of 2020, the Company also completed a new phase of equity incentive plan, forming a multi-level, three-dimensional short-, medium- and long-term incentive system to comprehensively enhance salary competitiveness, retain and attract talents, and cultivate employees' sense of ownership. The Company will make full use of capital market resources to accelerate talent cultivation, technological innovation and business expansion, grasp the time window of digital transformation and upgrading of the construction industry, and strive to achieve the goal of "Eighth Three-year" Plan.

As a digital building platform service provider, the Company continues to make theoretical innovations and iterations based on practice to speak for digital building. The Company has published white papers for digital building for many years, and the 2020 Digital Building Platform - Constructing a New Infrastructure for Digital Transformation detailed the theory and best practice of digital construction. In different segments of the construction industry, the Company has also released Digital Cost Management 2020, China Construction Industry Report on Development of Information Systems 2020 - Digital Application and Development of Industry

Supervision and Services, Analysis Report of BIM Application in the Construction Industry of China 2020, Application and Development of Intelligent Industrial Park, 5G and Digital Construction, etc., which fully and systematically expounded the future-oriented evolution goals, architecture, paths and value scenarios of digital construction, empowering the industry chain for cooperation and win-win.

In 2020, the Company won wide recognition from all walks of life with its excellent performance of products, business and performance. At the early stage of the pandemic prevention and control, the Company fulfilled its social responsibility by providing supply and procurement demand matching services for first-line anti-pandemic hospital projects in more than 20 provinces and cities, including Huoshenshan Hospital, to help construction enterprises to resume work and production during the pandemic by opening free multi-product cloud authorization and service entrance. In terms of brand influence, the "China Digital Building Summit" was newly upgraded, with an unprecedented scale of synchronized online and offline linkage in 16 cities; the special session for entrepreneurs of the Digital Building Summit focused on senior management, inviting more than 100 chairmen, general managers and leaders of industry associations of construction enterprises to discuss and explore the road of development: the Digital Building Summit has become a high-end communication platform that empowers the industry and leads in thinking. In the capital market, the Company has also received many awards, including the 2020 Golden Bull Best Investment Value Award, the Beacon Award for Digital Economy, the 2020 Reputation List of China Listed Companies, and the Best Responsibility Advance Award of "China ESG Golden Awards", as well as the "Best Investor Relations Listed Company" of the 10th Hong Kong International Finance Forum cum China Securities Golden Bauhinia Award. Mr. Diao Zhizhong, Chairman of the Board, was also honored with the 2020 Golden Bull Business Leader Award and the 2020 Golden Quality Enterprise Leadership Award for Listed Companies. Glodon's brand influence is growing.

2. Whether the Company's main business has any significant changes during the Reporting Period

Yes No

During the Reporting Period, various businesses of the Company were carried out smoothly in accordance with the annual business plan. The details are as follows:

(1) Construction Cost Business

The cloud transformation of construction cost business continued to make in-depth progress. It recorded an annual operating revenue of approximately 2.791 billion Yuan, representing a year-on-year growth of 13.83%, among which, cloud-based revenue was 1.622 billion Yuan, a year-on-year increase of 76.05%, accounting for 58.12% of the revenue from digital construction cost business. If the balance of cloud-based contract liabilities is restored, the pro forma operating revenue of digital construction cost business is 3.403 billion Yuan, representing a year-on-year increase of 16.12% with the same caliber.

As of the end of 2020, a total of 25 regions of the digital construction cost business have started the cloud transformation, and only four regions, namely Jiangsu, Zhejiang, Fujian and Anhui province, have not started the overall cloud transformation. In 2020, the comprehensive annual conversion rate of products in the newly-transformed regions reached 50%, basically reaching the first-year transformation ratio of the advantageous

regions in 2019. The comprehensive conversion rate of products in the 10 regions transformed in 2019 exceeded 80%, with a fee renewal rate of 88%. Both comprehensive conversion rates and fee renewal rates of products in the 11 regions transformed before 2019 exceeded 85%.

Cloud transformation related data (Unit: million Yuan)

Product Line	Operating income from cloud services	YoY increase	Cloud contract	YoY increase	Contract liabilities from cloud services	Change from the beginning of the period
Cloud-based pricing	566	101.26%	803	67.31%	544	76.99%
Cloud-based quantity takeoff	514	92.68%	715	60.35%	484	70.85%
Engineering information	542	45.16%	716	50.94%	478	57.81%
Total	1622	76.05%	2234	59.55%	1506	68.55%

While smoothly advancing the cloud transformation, the various business segments of construction cost business took customers as the core and continuously updated products and upgraded value-added services to improve customer satisfaction. The cloud-based pricing GCCP6.0 introduced volume & price integration, cloud-based reporting, and other new functions to continuously improve the efficiency and convenience of customers' operations, and cooperated with the market-oriented reform of the construction cost business. It gradually launched market-based pricing products in some regions to meet the demands of customer groups in enterprises with independent bidding and pricing capabilities in the aspects of bidding and data precipitation. The series of quantity takeoff products continued to improve computing efficiency and stability, and intelligent quantity takeoff products used AI technologies to increase the efficiency of modeling by more than 30%. In engineering information business, the revenues of mature products such as Guangcai website, Guangcai Assistant, and Construction Cost Cloud achieved rapid growth, and the product application rates were further improved. Among them, Guangcai website reached a search volume of more than 63 million times, and Guangcai Assistant was used in 170 million pieces of construction cost data. We continued to improve the new products such as the Magical Index Tool and Guangcai Data Merger, among which, the Magical Index Tool can greatly improve computing efficiency and help users to quickly compare and review the index data; Guangcai Data Merger can provide the management on enterprise materials and construction cost data, and help enterprises to establish data asset databases containing material prices and index data, thus realizing the interworking and sharing of internal data of enterprises. Up to now, we have established more than 100 benchmark projects of enterprise databases across China.

During the Reporting Period, the construction of the platform of our e-governmental affairs business was further accelerated. The public resources transaction management system oriented for government customers achieved a full coverage over strategic areas including Beijing, Shanghai and Guangzhou, and its percentage in operating revenue continued to increase. The new version of Bid Clearing 360 tool was released for market entities and satisfied the big data requirements on bid clearing performance with the achievement of 100 bidders, 10,000 sheets, and 100 million concurrent enquiries throughout the year. The tool also provided a new module for technical bid clearing, thus realizing a full coverage on commercial bids + technical bids.

During the Reporting Period, in the context of COVID-19 pandemic, the construction cost business increased

its inputs in online resources and used new technologies to build an online live broadcasting brand with a series of theme activities. All kinds of online activities throughout the year covered 900,000 people, effectively enhancing customers' awareness of digital construction cost management. Driven by the concept of digital construction cost management, the Company integrated existing products through “terminal (intelligent application)” + “cloud (efficient computing)” + “big data (big database of construction cost)”, and formulated a Glodon terminal-to-cloud big data integration solution to serve the intelligent market pricing and drive the “technical” upgrading of the construction cost brand.

(2) Construction Management Business

During the year, the construction management business developed steadily, and the annual operating revenue reached approximately 943 million Yuan, representing an increase of 10.52% year-on-year. As of the end of 2020, the data construction project-level product has served a total of 38,000 projects and 3,400 customers, including 15,000 new projects and 1,700 new customers in 2020.

During the Reporting Period, our products based on the digital project management platform made breakthroughs in multiple aspects, and the “platform + module” mode was further consolidated. The application rate of project-level core products rose steadily, labor services and project BI (Business Intelligence) module developed rapidly. The project-level platform was gradually expanded to support enterprise-level business, and the project-enterprise integration 1.0 solution was released, which realized the digitization of project entities, labor, machines, materials, process methods, environment, and the whole process of a project. The solution can realize controllable project site operations, efficient project command and accurate corporate decision-making, thereby ultimately improving the profitability of construction enterprises. The infrastructure construction business takes linear engineering as the core, and the infrastructure solution after integrating with infrastructure management and infrastructure BI highlights the digital command and dispatch function, and creates a visualized management site for managers at different levels of infrastructure projects. Regarding the bottom-layer platform, we have initially completed the architecture design of the data middle platform and the breakthrough of key technologies, and have achieved phased results for the construction knowledge map of the business middle platform.

The Zebra Progress Product accelerated its coverage on different users. Through the combination of online and offline services, it makes full use of the advantages of the Internet to integrates R&D, marketing, sales, and services. Throughout the year 2020, the product has over 80,000 new activated users, covering more than 20,000 projects, and it has achieved large-scale promotion and continuous application of more than 100 projects for some benchmark customers.

During the Reporting Period, the construction management business achieved healthy growth in operating cash flow in the context of the normalization of COVID-19 pandemic; the amount and proportion of accounts receivable were greatly reduced, ensuring the healthy development of our business. Online digital marketing continued to innovate, and thereby vigorously promoted the brand building of the digital construction product and solution. In addition, the Company also strengthened the development of major customer services and achieved breakthroughs in the business for leading construction enterprises. We have completed the first phase delivery of a production scheduling system to Shaanxi Construction Group, covering more than 100 key projects of the group; we have completed the first phase development of the business management system of Zhejiang Construction

Investment Group; we have also achieved breakthroughs in the development of Guangxi Construction Group's enterprise big data platform, Shanghai Baoye Group's project-enterprise integration system, and China MCC5 Group's enterprise centralized management & control platform in 2020.

During the Reporting Period, we strengthened the internal operation management of the construction management business, launched a digital management system, and carried out process optimization and business plan design for the process groups including customer business opportunity management, quotation contracts management, procurement & supply management, project implementation management and finance management. We completed internal digitalization of the digital construction management business, thereby providing support for the long-term efficient operation and strategic decision-making of the construction management business.

(3) Innovation Business Units

The digital supply and procurement business provides bilateral services for engineering project procurement and building materials suppliers. We initiated the digitalization of the supply and procurement business, and helped supply and procurement enterprises to integrate into the digital construction industry ecology and carry out business upgrading and layout. During the COVID-19 pandemic, the digital supply and procurement business provided the services of searching, engaging and contacting building materials suppliers to 57 anti-pandemic projects of different hospitals across China, thereby attracting 669 suppliers and accurately recommending 234 suppliers to the projects. Throughout the year 2020, the integrated digital transaction service B2B platform "M2.com.cn" has released a total of more than 15,000 procurement demands and converted more than 1,000 offline contacts, involving nearly 3,000 corporate customers.

The digital city business integrates a group of ecological partners to create three industry solutions for new towns & new districts, industrial zones, and college campus. We focused on deepening the business area of industrial zones, and our product of industrial zone operation center has basically taken shape. During the Reporting Period, the Company win the bid for the construction of Chongqing Smart Guangyang Island (Phase I) Project. We will build a Digital Twin platform based on ecological information model library, space-time middle platform, Internet of Things middle platform, and big data middle platform, thus providing basic support functions to Smart Guangyang Island. Through this project, we have initially established the market recognition of Glodon's CIM (City Informatica Model) brand.

The digital finance business continued to closely focus on the supply chain of construction industry and built a digital financial service platform. Through loan-releasing verification of the self-operated business, we improved the effectiveness of the digital credit investigation model and digital financial service platform, and gradually provided customers with Fintech services such as precise customer acquisition, digital order review, and smart verification based on online scenarios to better solve financing problems of small and medium enterprises in the construction industry. During the Reporting Period, the Company took Glodon Digital Technology (Shenzhen) Co., Ltd. as the main operating entity, and introduced investors through the increase of capital and shares to improve our capital strength and effectively guarantee the risk separation between financial business and listed company.

The digital education business focuses on the concept propagation chain strategy, establishes a digital

architecture education alliance, cooperates with eight key universities on scientific research platforms, and completes the coverage of digital architecture concept courses in 70 colleges and universities. The business focuses on the talent supply chain strategy, actively expands skill certifications for students and practitioners, and gradually gains recognition in the industry. During the COVID-19 pandemic, the digital education business actively assumed its social responsibilities, delivered an online learning platform in a timely manner, and achieved rapid breakthroughs in online businesses.

The digital decoration business supports a cloud-based integrated decoration platform to provide services such as enterprise database reuse, construction cost estimation, and visualized progress management for decoration projects. It supports enterprise data synergy to reduce costs and increases efficiency while standardizing the services.

During the Reporting Period, the Company accelerated the layout of its digital design business. In September 2020, the Company officially released its construction modeling & design software BIMMAKE at the China Digital Building Summit 2020. Through the year, the software attracted more than 30,000 new users. In October 2020, the Company acquired Luoyang Hongye Information Technology Co., Ltd.. After the acquisition and integration, Hongye Technology will complement the advantages of the Company and rapidly enhance its design business channels and marketing capabilities.

(4) Overseas Business

During the Reporting Period, the Company's overseas business overcame the difficulties brought about by the COVID-19 pandemic and achieved operating income of 148 million Yuan throughout the year, representing a year-on-year increase of 7.43%.

As for the internationalization of the construction cost segment, the international calculation product Cubicost TAS is able to scale up quickly and can meet localization rules through the rapid configuration of the calculation rule base. The international cost estimating product Cubicost TBQ is under large-scale promotion in Singapore and other places, which further consolidated a closed loop application among the preparation, bidding, evaluation in the bidding stage and the group price library, with the application rate and reputation being substantially increased in Southeast Asia.

As for the internationalization of the construction management segment, the MagiCAD product actively responded to the impact of the pandemic in Europe through licensing model innovation and expansion of online services, and business recovered well in the second half of the year after overcoming the impact of the COVID-19 pandemic.

3. Information of the products that account for more than 10% of the Company's main business income or main business profit

√ Applicable □ Not applicable

Unit: Yuan

Product name	Operating income	Operation profit	Gross profit margin	YoY change in operating income	YoY change in operating profit	YoY change in gross profit margin
Construction cost business	2,790,635,176.41	793,236,151.86	94.17%	13.83%	67.92%	0.22%

Construction management business	943,208,742.81	-5,242,091.69	72.07%	10.52%	-110.57%	-3.90%
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4. Whether the Company's businesses have seasonal or cyclical characteristics that require special attention

Yes No

5. Explanation on significant changes in total sum or composition of operating income, operating cost and net profit attributable to ordinary shareholders of the listed company during the Reporting Period compared with the previous reporting period

Applicable Not applicable

6. Circumstance for delisting

Applicable Not applicable

7. Matters relating to the financial report

(1) Explanation on changes in accounting policies, accounting estimates and accounting methods compared with the financial report of the previous year

Applicable Not applicable

I. Important changes in accounting policies

1. Implementation of the "Accounting Standards for Business Enterprises No. 14 - Revenue" (revised in 2017) (hereinafter referred to as "New Revenue Standard")

Since January 1, 2020, the Company has implemented the relevant provisions of the "Accounting Standards for Business Enterprises No. 14 - Revenue" revised and issued by the Ministry of Finance on July 5, 2017, and its accounting policies are as follows:

(1) General principles for revenues recognition

The Company's revenues include the revenues from sales of software and hardware, operation and maintenance services, construction-related information and data services such as cloud services, upgrade services, installation services, as well as software development business revenues.

After the Company fulfills its performance obligation in a contract, it will recognize revenue when relevant customer obtains right of control over relevant goods or services. Control of the goods or services refers to the ability to direct the use of the goods or the provisioning of the services, and to obtain substantially all of the economic benefits from such goods or services.

If two or more performance obligations are covered in the contract, on the contract commencement date, the transaction price will be allocated to individual performance obligation based on the relative proportion of the individual selling price of goods or services involved in the individual performance obligation, and the revenue will be measured at the transaction price to each individual performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the goods or services to the customer, excluding the amounts collected on behalf of third

parties. If the Company meets one of the following conditions, its obligation performance will be fulfilled over time; otherwise, it will be fulfilled at a point of time:

- The customer obtains and consumes the economic benefits brought by the performance of the Company while the Company is performing the obligation.
- Customers are able to control the goods under construction in the course of performing obligations by the Company.
- The goods produced in the course of performing obligations by the Company have irreplaceable uses, and over the entire contract period, the Company has the right to receive payments for the portion of the performance that has been completed to date.

For the performance obligation fulfilled over time, the Company recognizes revenue based on the progress of the performance during such period of time. When the progress of the performance cannot be reasonably measured, if the cost incurred by the Company is expected to be recovered, the revenue shall be recognized according to the amount of cost incurred, until the progress can be reasonably determined.

For the performance obligation fulfilled at a point of time, the revenue will be recognized by the Company when the customer has acquired the right of control over relevant goods or services. The Company will consider the following indicators when judging whether the customer has acquired the right of control over relevant goods or services:

- The Company enjoys the current right to collect the payment for such goods or service.
- The Company has transferred goods to the customer in kind.
- The Company has transferred the legal ownership or substantial risks and rewards of the ownership of such goods to the customer.
- The customer has accepted such goods or services.

A contract asset is recognized when the Company has transferred goods or services to its customers and has the right (which depends on factors other than the passage of time) to receive consideration. The contract asset is provided for impairment on the basis of expected credit losses. The unconditional (time-dependent) right owned by the Company to collect consideration from customers is recognized as account receivable. The Company's obligation to transfer goods or services to the customer after obtaining consideration received or receivable from the customer is shown as contract liabilities.

Sales contracts

Sales contracts between the Company and its customers usually contain only the performance obligation to transfer goods. The Company usually takes into consideration the following factors and recognize revenue at the time when the goods acceptance inspection is completed: obtainment of the current right to receive payment for the goods; transfer of substantial risks and rewards for the ownership of the goods; transfer of legal ownership of the goods; transfer of the goods in kind, and acceptance of the goods by customers.

Service contracts

Services contracts between the Company and its customers usually covers the services including SaaS services, maintenance services, software upgrade services, installation services, technical development services, and etc. Since the Company's customers simultaneously receive and consume the economic benefits from the

Company's performance when the Company performs the contract, the Company will recognize it as a performance obligation satisfied over time and recognize revenue according to the progress of the performance. The Company determines the progress of service delivery according to the input method.

(2) Specific accounting policies for revenues recognition

1) Software and hardware sales

Standard software sales refer to a kind of software use right licensing, with which a customer can directly and individually benefit from the use of the software license. The Company's software license is mainly delivered by providing an authorization code or encryption lock to customer. After the customer obtains the authorization code or encryption lock, he/she can use the software. The Company recognizes the revenue from software licensing when the authorization code or encryption lock is delivered to the customer.

The licenses for using the Company's standard software are classified into permanent authorization and fixed-term authorization. If a customer chooses permanent authorization, the upgrade service is usually a separate service that requires separate payment of the customer; if the customer chooses fixed-term authorization, the software license and upgrade service are uniformly quoted. During the use of the software, the software upgrade service supports separate pricing and sales; otherwise, the software upgrade service is promised by the Company during the software sales process, so it is regarded as a distinguishable and separate performance obligation, and its revenue is recognized when the performance obligation is fulfilled.

The sales revenue of hardware and related products is recognized when the Company delivers such products to customer and the customer accepts the products in kind and obtains the control thereon.

2) SaaS service business

The Company deploys application software on the servers uniformly, and customers can order application software services according to their actual needs, pay the vendors according to the ordered services and time, and obtain related services. The price of SaaS application software is usually a "package" fee, including the usual software license fee, software maintenance fee, and technical support fee, which are uniformly collected through the annual/monthly rental fee for each user. For this type of business, the Company equally apportions and recognizes revenue based on the contractual periods.

3) Technical solution business

For the system integration contracts signed between the Company and customers, the Company provides customers with an information system solution that supports the functions specified in the contracts. The solution provides various commitments portfolios comprising software, hardware, installation, commissioning and other services. The Company adopts a delivery model of "platform + module" (a combination of software and hardware that can function independently after joint debugging). Each component module can function independently, and can be priced and delivered separately. These modules do not constitute modification or customization for each other, and have no significant relationship with other products or services promised in the contracts. Customers can benefit from a single module individually. Therefore, the Company regards each module as a separate performance obligation and recognizes revenue separately when its delivery is completed.

4) Technical development services

Due to customers' needs for their growth or business development, customers may require customized

development of software products. The Company adopts the input method to recognize incomes and costs based on the progress of contract performance, that is, confirms the completion progress according to the percentage of actually-incurred costs in the total costs, and then recognizes the incomes and corresponding costs.

2. Implementation of the “Interpretation of Accounting Standards for Business Enterprises No. 13”

The Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 13 (Cai Kuai [2019] No. 21, hereinafter referred to as “Interpretation No. 13”) on December 10, 2019, which took effect on January 1, 2020 and does not require retroactive adjustment.

① Identification of related parties

Interpretation No. 13 makes it clear that the following circumstances constitute a related party: a joint venture or an associated company between an enterprise and other members of the enterprise group (including the parent company and subsidiaries); joint ventures of an enterprise and other joint ventures or associated companies of an enterprise. In addition, Interpretation No. 13 also makes it clear that two or more enterprises that are materially affected by one party only do not constitute related parties, and it also explains that joint ventures include joint ventures and their subsidiaries, and associated companies include associated companies and their subsidiaries.

② Definition of business

Interpretation No. 13 improves the three elements of business composition, elaborates the judgment conditions of business composition, and introduces the choice of “concentration test” to simplify the judgment of whether a portfolio acquired under different control constitutes business to a certain extent.

The Company has implemented Interpretation No. 13 since January 1, 2020, and the comparative financial statements have not been adjusted. The implementation of Interpretation No. 13 has not had a material impact on the Company’s financial position and operation results.

3. Implementation of the “Provisions on the Accounting Treatment of Rental Concession Related to COVID-19 Pandemic”

On June 19, 2020, the Ministry of Finance issued the Provisions on Accounting Treatment of Rental Concession Related to COVID-19 Pandemic (Cai Kuai [2020] No. 10), with effect from June 19, 2020, allowing enterprises to adjust the relevant rental concessions that occurred between January 1, 2020 and the implementation date of this regulation. According to such provisions, enterprises can choose to adopt a simplified method for accounting treatment of rental concessions, such as rental remission and deferred payment, which are directly caused by COVID-19 Pandemic.

The Company chose to adopt the simplified method for accounting treatment of all rental concessions that fall within the applicable scope of the regulation, and made corresponding adjustments to the relevant rental concessions that occurred between January 1, 2020 and the effective date of the regulation.

The Company as the lessee adopted a simplified method to deal with the relevant rental concession write-off and deducted the operating costs, administrative expenses and selling expenses of the current period, totaling RMB1,801,536.31.

The Company as the lessor adopted a simplified method to deal with the relevant rental concession write-off and deducted the operating incomes of the current period, totaling RMB0.00, and the shortfall was included in

investment incomes, totaling RMB0.00.

II. Important changes in accounting estimates

None.

(2) Explanation on the reasons for retrospective restatement to correct major accounting errors during the reporting period

Applicable Not applicable

During the Reporting Period, the Company had no major accounting error corrections that require retrospective restatement.

(3) Explanation on the changes in scope of consolidated statements as compared with the financial report of the previous year

Applicable Not applicable

(1) Mergers not under common control

During the Reporting Period, the Company wholly acquired Luoyang Hongye Information Technology Co., Ltd., after which, Luoyang Hongye Information Technology Co., Ltd. and its subsidiaries, namely, Shanghai Hongye Tongxing Information Technology Co., Ltd., Beijing Hongye Tongxing Technology Co., Ltd., Hongye (Shenzhen) Information Technology Service Co., Ltd., Hongye (Guangzhou) Engineering Information Technology Co., Ltd., Shenzhen Rongsi Prefabricated Building Technology Co., Ltd., and Chengdu Hongye Tongxing Information Technology Co., Ltd., are included in the scope of consolidation.

(2) Investments in establishment of subsidiaries

During the Reporting Period, the Company invested to establish 4 new subsidiaries, namely, Guizhou Guanglian Shuda Technology Co., Ltd., Glodon Digital Technology (Shenzhen) Co., Ltd., Glodon Digital Technology (Hainan) Co., Ltd., and Glodon Digital Technology (Chongqing) Co., Ltd., which were incorporated and registered on May 19, 2020, May 29, 2020, September 17, 2020, and September 25, 2020 respectively.

(3) Liquidation of subsidiaries

During the Reporting Period, the Company's subsidiaries, namely, Shanghai ChenAn Advertising Media Co., Ltd., Beijing Glodon Zhongran Technology Co., Ltd., Shanghai Zhouqian Information Technology Center (Limited Partnership), and Hangzhou Zezhou Software Co., Ltd., have completed their liquidation and cancellation procedures on September 14, 2020, November 6, 2020, November 16, 2020, and November 27, 2020 respectively, and are no longer included in the scope of consolidation.

Glodon Company Limited
Chairman: DIAO Zhizhong
March 26, 2021