

Yonyou Network Technology Co., Ltd

Annual Report of 2022

Section I Important notes

1This annual report summary is derived from the full annual report. For a comprehensive understanding of the Company's results of operations, financial condition and future development plans, investors should go to <http://www.sse.com.cn> to carefully read the full text of the annual report.

2The Board of Directors, the Supervisory Committee and the directors, supervisors and senior management of the Company guarantee the truthfulness, accuracy and completeness of the contents of the annual report, and that there are no false records, misleading statements or material omissions, and assume individual and joint legal responsibility.

3 All directors of the Company attended the meeting of the Board of Directors.

4 Ernst & Young Hua Ming Certified Public Accountants (Special General Partner) issued a standard unqualified audit report on the Company.

5 Proposed profit distribution for the reporting period or proposed capital increase from provident fund as resolved by the Board of Directors

As audited by Ernst & Young Hua Ming Certified Public Accountants (Special General Partner), the actual profit available for distribution at the end of the period as of December 31, 2022 was 2,325,391,790 yuan. After consideration by the Board of Directors, the Company proposed to distribute profits for the year 2022 on the basis of the total share capital registered on the date of registration of the implementation of the equity distribution less the shares in the Company's special account for repurchase, and proposed to distribute cash dividends of **0.6** yuan (tax included) for every 10 shares to all shareholders.

Section II Basic information of the Company

1 Company profile

Company stock profile							
Stock type	Stock exchange	listing	Stock name	short	Stock code	Stock name	short before change
A shares	Shanghai Exchange	Stock	Yonyou Networks		600588	Yonyou Software	

Contact person and contact information	Board secretary	Securities representative
Name	Qi Lin	Guan Manman

Office address	No. 68 Beiqing Road, Haidian District, Beijing	No. 68 Beiqing Road, Haidian District, Beijing
Phone number	010-62436838	010-62436838
E-mail address	ir@yonyou.com	ir@yonyou.com

2 Main accounting data and financial indicators of the Company

2.1 Main accounting data and financial indicators in the last 3 years

Unit: Yuan Currency: RMB

	2022	2021	Increase or decrease in the current year over the previous year(%)	2020	
				After adjustment	Before adjustment
Total Assets	23,555,097,956	17,329,343,770	35.9	16,966,625,631	16,950,263,178
Net assets attributable to shareholders of the listed company	11,461,068,915	6,987,455,449	64.0	7,552,176,774	7,542,940,505
Operating income	9,261,744,112	8,931,797,941	3.7	8,528,442,665	8,524,588,604
Net profit attributable to shareholders of the listed company	219,171,878	707,762,887	-69.0	985,456,991	988,601,470
Net profit after extraordinary gain or loss attributable to shareholders of the listed company	146,403,817	405,095,203	-63.9	905,897,931	904,408,788
Net cash flow from operating activities	285,961,113	1,303,626,688	-78.1	1,613,351,433	1,613,019,564
Weighted average return on net assets (%)	2.00	10.19	-8.2	14.74	14.86
Basic earnings per share (yuan/share)	0.06	0.22	-72.7	0.30	0.31
Diluted earnings per share (yuan/share)	0.06	0.22	-72.7	0.30	0.30

2.2 Key accounting data by quarter of the reporting period

Unit: Yuan Currency: RMB

	Q1 (January-Mar ch)	Q2 (April-June)	Q3 (July-Septem ber)	Q4 (October-Dec ember)
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Operating income	1,279,178,202	2,257,622,055	2,058,619,665	3,666,324,190
Net profit attributable to shareholders of the listed company	-393,205,256	137,435,873	-283,735,307	758,676,568
Net profit after non-recurring gains and losses attributable to shareholders of the listed company	-361,878,908	155,584,569	-333,509,771	686,207,927
Net cash flow from operating activities	-1,003,458,167	-119,062,174	-342,216,179	1,750,697,633

Explanation of differences between quarterly data and disclosed periodic report data

Applicable Non-applicable

3 Shareholders' status

3.1 Total number of common shareholders, total number of preferred shareholders with voting rights restored, total number of shareholders holding special voting shares and top 10 shareholders as of the end of the reporting period and the end of the month prior to the disclosure of the annual report

Unit: stock

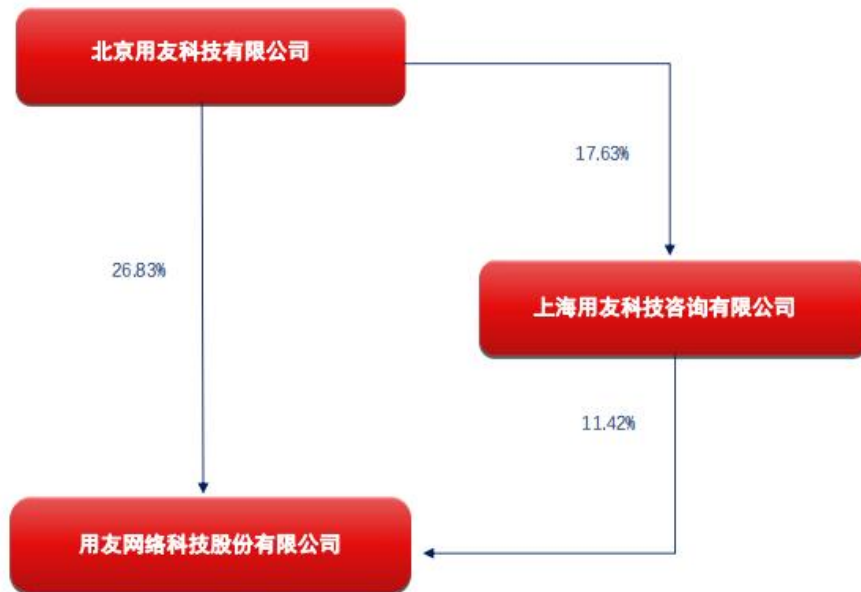
Total number of ordinary shareholders as of the end of the reporting period (household)		110,358					
Total number of ordinary shareholders as of the end of the previous month prior to the date of disclosure of the annual report (household)		122,462					
Total number of shareholders of preferred shares whose voting rights were restored as of the end of the reporting period (household)		0					
Total number of shareholders of preferred shares whose voting rights were restored as of the end of the previous month prior to the date of disclosure of the annual report (household)		0					
Shareholding of top 10 shareholders							
Name of shareholder(Full name)	Increase and decrease within the reporting period	Shareholding as of the end of the period	Ratio(%)	Number of shares held with limited selling conditions	Pledges, tags or freezes		Nature of shareholder
					Share status	Quantity	

		od					
Beijing Yonyou Technology Co., Ltd.	0	921,161,630	26.83	0	Pledge	261,870,820	Domestic non-state-owned legal person
Shanghai Yonyou Technology Consulting Co., Ltd.	0	392,069,275	11.42	0	Pledge	14,075,000	Domestic non-state-owned legal person
Hong Kong Securities Clearing Co., Ltd.	27,169,305	264,386,209	7.70	0	None	0	Others
Shanghai Yibei Management Consulting Co., Ltd.	0	128,080,000	3.73	0	Pledge	9,574,300	Domestic non-state-owned legal person
Beijing Yonyou Enterprise Management Institute Co., Ltd.	5,526,100	107,848,606	3.14	0	Pledge	26,000,000	Domestic non-state-owned legal person
Gongqingcheng Youfu Investment Management Partnership (Limited Partnership)	30,000,000	80,361,271	2.34	0	None	0	Domestic non-state-owned legal person
Liu Shiqiang	-175,499	68,000	1.98	0	None	0	Domestic natural

		,000					person
China Securities Finance Corporation	0	49,767,911	1.45	0	None	0	Others
Bank of Communications Co., Ltd. -Wanjia Industry Preferred Mixed Portfolio Fund (LOF)	6,332,932	36,333,309	1.06	0	None	0	Domestic non-state-owned legal person
Zhou Rongzhi	0	35,214,560	1.03	0	None	0	Domestic natural person
Description of the above shareholders' affiliation or acting in concert	Beijing Yonyou Technology Co., Ltd. ("Yonyou Technology"), and Shanghai Yonyou Technology Consulting Co., Ltd. ("Yonyou Consulting") are related because they are controlled by the same controlling shareholder, and the executive directors of Shanghai Yibei Management Consulting Co., Ltd. ("Shanghai Yibei") and Gongqingcheng Youfu Investment Management Partnership (Limited Partnership) ("Gongqingcheng Youfu") are related to Yonyou because they are both directors of Yonyou. Shanghai Yibei and Gongqingcheng Youfu are not related because they are controlled by different controlling shareholders, and are not related to Yonyou because they are controlled by different controlling shareholders. There is no relationship between the above five shareholders and other shareholders. The Company is not aware of whether there is any relationship between other shareholders or whether they are acting in concert.						
Description of preferred shareholders whose voting rights have been restored and the number of shares held	None						

3.2 Block diagram of the ownership and control relationship between the Company and the controlling shareholder

Applicable Non-applicable



3.2 Block diagram of the ownership and control relationship between the Company and the actual controllers

Applicable Non-applicable

Section III Management discussion and analysis

I. Discussion and analysis of operation

During the reporting period, the Company continued to firmly implement the Yonyou 3.0-II strategy of transitioning to cloud services, continued to focus on the annual key tasks of strengthening products, occupying the market, expanding ecology and improving capabilities, seized the strategic opportunities in the digital intelligence and localization market of information technology application innovation, comprehensively implemented the public cloud subscription priority strategy and solidly promoted the Company's 2022 annual business plan.

(i) Overall operation and business progress

1. Overcoming difficulties and carrying out various business operations

During the reporting period, the Company fully promoted various business operations in accordance with the established strategy and annual plan, and achieved faster growth in revenue from cloud services and software business in the first three quarters. In the fourth quarter, which accounted for the largest proportion of the Company's annual results, the business boom of some customers' industries overlaid with the pandemic factor had a significant impact on the Company's revenue growth rate in the fourth quarter and the whole year of 2022. The Company took various measures to overcome the difficulties and achieved operating income of **9.26174** billion yuan, an increase of **3.7%** year-on-year. The Company's main cloud services and software business achieved revenue of **9.20057** billion yuan, an increase of **6.5%** year-on-year, of which, the cloud services business maintained rapid growth, achieving revenue of **6.35296** billion yuan, an increase of **19.4%** year-on-year, accounting for **68.6%** of operating revenue, an increase of **9** percentage points over the same period of the previous year, which has become the Company's main source of revenue and continues to expand its revenue share; the software business continued its strategic contraction, achieving revenue of **2.84761** billion yuan, an down

14.2 percent. Influenced by the low growth rate of revenue, continuous increase in strategic investment and business structure upgrade, the Company's net profit attributable to shareholders of the listed Company was **0.21917** billion yuan, down **69.0%** year-on-year, and the Company's net profit attributable to shareholders of the listed Company after deduction was **0.1464** billion yuan, down **63.9%** year-on-year.

2. Increasing strategic investment more actively and achieving a comprehensive breakthrough in product leadership

During the reporting period, despite facing more uncertainties in the external environment, in order to seize the historic development opportunities of enterprise digital intelligence and localization of information technology application innovation, the Company was strategically oriented, continued to firmly and actively increase investment in R&D and other aspects, strategically optimized personnel structure, and continued to accelerate the introduction of senior talents.

During the reporting period, the Company invested **2.92997** billion yuan in R&D, an increase of **24.5%** year-on-year, accounting for **31.6%** of the operating revenue. On August 27, 2022, the Company released the landmark "Yonyou BIP 3", which was a comprehensive breakthrough in innovation from platform technology, application architecture to application and business services, scale ecosystem and user experience, including YMS cloud middleware technology, the first technical innovation of continuous delivery system on and off the cloud, and the breakthrough of social business model, matter accounting, feature system and other application architecture. The product has reached the global leading ranks, chosen by many leading enterprises, and is known as the "pillar of great power".

At the end of the reporting period, the number of employees of the Company was **25383**, an increase of **4385** from the end of 2021, mainly due to the growth of R&D, consultants and sales personnel. The number of our R&D staff has exceeded 9,000, accounting for 35.7% of our total employees. Based on the strategic growth in employee size in 2021 and 2022, the Company will maintain a stable employee size in 2023 and continue to optimize its structure and improve output per capita.

Although the Company's continuous strategic investment has a certain impact on the current profit performance, especially the R&D investment has a certain lag on the performance release, the Company's comprehensive product innovation breakthrough, the personnel structure optimization and the introduction of senior talents have laid a key foundation for the future growth of the Company's performance.

3. Continued high-quality upgrade of business structure

During the reporting period, the Company continued to take the upgrade of high-quality business revenue structure as a strategic direction and fully implemented the subscription priority strategy. The Company's contract liabilities (including short-term contract liabilities and long-term contract liabilities) achieved **2.46** billion yuan, an increase of **14.4%** compared with the year-end of 2021, of which, the contract liabilities related to cloud service business achieved **1.92** billion yuan, an increase of **21.5%** compared with the year-end of 2021, and the contract liabilities related to subscription achieved **1.32** billion yuan, an increase of **55.8%** compared with the year-end of 2021, and the ARR of the Company's cloud service business achieved **2.04** billion yuan, an increase of **23.8%** year-on-year. During the reporting period, the number of new paying customers for the cloud service business was **0.1332** million, and the cumulative number of paying customers for the cloud service business as of the end of the reporting period was **0.5715** million, an increase of **30.4%** year-on-year.

The Company accelerated the implementation of customer projects and customized development outsourcing in accordance with the established strategic plan, and cultivated the delivery capability of professional service eco-partners, which resulted in a significant increase in the Company's operating costs. Subsequently, along with the continuous improvement of ecological partners' capabilities, the Company will gradually increase the proportion of sub-signing for implementation and customized development delivery, which will help transform the Company's business revenue structure to higher quality.

(ii) Stratified operation and business progress

1. Enterprise customer market operation and business progress

During the reporting period, the Company's business in the enterprise customer market for large, medium-sized and small and micro enterprises maintained steady growth, and

the cloud service and software business achieved revenue of **8.0776** billion yuan, up **9.6%** year-on-year.

(1) Large-scale enterprise customer market

During the reporting period, in the market of large enterprise customers, the Company continued to seize the market opportunities of enterprise digital intelligence and localization of information technology application innovation, and achieved revenue of **6.25113** billion yuan from cloud service and software business, with a year-on-year growth of **6.5%**, among which, revenue of cloud service business achieved **4.393** billion yuan, with a year-on-year growth of **17.6%**, and renewal rate of core products reached **105.5%**.

The Company continued to strengthen its high-end business market leadership and competitive positioning. Based on the new “Yonyou BIP 3”, the Company released a series of private/public cloud service products for large enterprise customers, and was the first in the industry to provide cloud service products with a hybrid deployment model for large enterprises, giving priority to the subscription fee model for large enterprise cloud service business. While maintaining a continuous breakthrough for central SOE customers, we are rapidly promoting the development of subscription-based business and revenue structure transformation for large enterprises. Since its release at the end of August 2022 to the end of the reporting period, Yonyou BIP 3 contracted over **1** billion yuan.

During the reporting period, the Company signed up **16** new first-tier central enterprises, and by the end of the reporting period, signed up **27** first-tier central enterprises in total. We have successfully signed up many central SOEs, such as China Rongtong Group, Pipe China, CEC, Ansteel, Three Gorges Group, COFCO, CSSC, SDIC, CIECC, CCTEG, CAM, China National Salt Group, CIIC, CMGB, China Gold Group, China Logistics Group, China Chemical, SINOMACH, China Unicom, China Mobile and so on. as well as a number of well-known enterprises and public organizations such as Zoomlion, Geely Technology Group, Country Garden Services, ThyssenKrupp, Chubb Corporation, People’s Daily, etc. The number of CCTC’s localization replacement projects has

increased significantly, which opens a good situation for the subsequent localization of CCTC's replacement in central state-owned enterprises.

In addition to the above-mentioned signed customers, the Company's business promotion of digital intelligence solutions in vertical industries such as finance, tobacco and automobile is smooth, and it has successfully signed many industry head customers and benchmark enterprises such as Bank of China, China Everbright Bank, CICC Wealth, PICC, Nanyang Commercial Bank, China Tobacco, Shandong China Tobacco, Heilongjiang Tobacco, China Information&Technology Group, GAC-Sofinco Auto Finance, JMC and Rising Auto.

(2) Medium-sized enterprise customer market

During the reporting period, in the medium-sized enterprise customer market, the Company continued to accelerate the cloud transformation and strategically enhanced the public cloud subscription business, achieving cloud service and software business revenue of **1.14165** billion yuan, up **25.8%** year-on-year, of which, cloud service business revenue achieved **0.63148** billion yuan, up **60.6%** year-on-year, and the renewal rate of core products reached **82.0%**.

During the reporting period, the Company made sustained efforts in the medium-sized enterprise customer market, YonSuite, U9 Cloud and U8 Cloud. The medium-sized cloud service products have been fully stacked to support the information technology application innovation environment and are ahead of competitors in the same industry in terms of product advancement and ease of use. The Company continued to vigorously promote the transformation of cloud service products subscription, YonSuite public cloud subscription high-speed development, U9 Cloud rapid promotion of privatization deployment subscription fee model and subscription revenue to achieve double growth. With the gradual recovery of private economic vitality, the medium-sized enterprise cloud service business will contribute more subscription revenue growth momentum for the Company.

YonSuite has updated and iterated a series of new services and refined the full-scene enterprise services in various fields, focusing on consumer goods, high-tech and Internet services, manufacturing, biomedical and other industry sectors to provide exclusive digital

intelligence solutions. In 2022, the number of new paying customers is nearly 7,000, and the contract value has doubled year-on-year. We have successfully signed many famous enterprises such as CHINTE, Acchrom Tech, Guangxi Baixingsheng, Beijing Best, Rui Zheng Medicine, Shandong I Create Education, etc.

U9 Cloud adds 5 new features to better meet the transformation and upgrading needs of manufacturing enterprises with digital intelligence. In 2022, the number of new customers and the number of signed projects doubled year-on-year, and many famous enterprises such as Edison Electronics, Guoke Tianji, Zhuhai Huaguan, Shanghai Yanggu Mechanical and Electrical, Shenyang Hongye Glass Container, Shandong Kunbao New Material Group were successfully signed.

U8 Cloud has achieved good results in the promotion of information technology application innovation. The new V3.6 product supports an information technology application innovation environment with a full stack and strong momentum of new signings and has released a special plan for the urban investment industry with remarkable results, successfully signing more than 400 urban investment customers and hundreds of famous enterprises and public organizations such as Shandong Quanxing Energy, Shuangdeng Cable and Shandong Yuanrun Petrochemical.

(3) Small and micro enterprise customer market

During the reporting period, in the market of small and micro enterprises, the Company's holding subsidiary, Chanjet Information Technology Co., Ltd. (hereinafter referred to as "Chanjet"), continued to focus on two major areas of small and micro enterprises, namely, digital taxation and digital business, and accelerated product application innovation and iteration in the areas of "new taxation, new business, new retail, new manufacturing and new service". The company accelerated product application innovation and iteration, actively expanded sales channels and ecological cooperation, and strengthened customer success operations. It achieved cloud service and software business revenue of **0.68482** billion yuan, up **15.0%** year-on-year, of which, SaaS subscription revenue achieved **0.38244** billion yuan, up **47.2%** year-on-year.

In the field of digital intelligent finance and taxation, Chanjet fully supported the processing of all-electric invoices, greatly enhanced ecological open integration capability

and further improved the advantages of the integrated product of ticket, finance, tax, fee and silver file. In the field of digital intelligence business, it optimized product development in the fields of new commerce, new retail, new manufacturing and new services, improved industry adaptability and enhances the scale delivery capability. In marketing, it further accelerated the coverage of the national channel system and accelerated the sinking to the county-level market; strengthened ecological cooperation, continued to maintain the industry-leading sales of SaaS products in Ali cloud market and Huawei cloud market, and carried out integration cooperation with ISV partners such as banks, tax invoice cloud vendors and industry CRM vendors to further expand the terminal market coverage; continued to strengthen the development of direct sales business and established a user marketing strategy that forms the scale customer acquisition and conversion, and carried out thematic marketing based on user needs and behavioral characteristics to achieve rapid growth of direct marketing business. During the reporting period, the number of new paid enterprise users of the cloud service business of SmoothTone was **0.106** million, and the cumulative number of paid enterprise users of the cloud service business reached **0.503** million by the end of the reporting period.

According to the Special Analysis on China Small and Micro Enterprise Cloud Tax Service Market in 2022 released by Analysis, Chanjet ranks first in the market coverage of small and micro enterprise tax and business cloud service; the growth of cloud service remains the first in the industry; in terms of cloud tax product rating, Chanjet Good Accounting ranks first in comprehensive rating for three consecutive years, and its indicators of adaptability, stability and richness are outstanding; in terms of customer satisfaction, Chanjet ranked first in customer satisfaction. The T+Cloud manufacturing management solution was selected as one of the SRDI SME Service Products Catalog issued by CAICT to accelerate the digital transformation of small and micro manufacturing enterprises, and T+Cloud was awarded the honorary title of “Digital Economy Industry Innovation” by the 2022 Global Digital Economy Conference.

2. Government and other public organization customer markets

During the reporting period, the Company’s cloud service and software business for government and other public organizations achieved revenue of **1.12298** billion yuan,

down **11.4%** year-on-year, of which, cloud service business revenue achieved **0.7285** million yuan, up **6.6%** year-on-year.

Beijing Yonyou Government Software Co., Ltd.(hereinafter referred to as “Yonyou Government”), a holding subsidiary of the Company, continued to focus on finance and financial services, plowed deep into the NPC market and continued to promote the accelerated development of social security business. The Company signed several new projects with the Ministry of Finance, Shanghai Data Center, Guangdong Provincial Department of Finance, National Maritime Bureau, Central Discipline Inspection Commission, General Office of Hunan Provincial People’s Congress Standing Committee, General Office of Zhejiang Provincial People’s Congress Standing Committee, Heilongjiang Provincial Department of Finance and Guizhou Provincial Department of Human Resources and Social Security.

Yonyou Seentao Technology Co., Ltd.(hereinafter referred to as “Yonyou Seentao”), a holding subsidiary of the Company, as an education service company in the field of digital intelligence, explores and promotes the development of industrial colleges, further deepens the integration of industry and education and promotes the integration of vocational education and industry in colleges and universities, and assists customers in the construction and declaration of teaching achievements, completing 13 recommended achievements of national teaching achievement awards in vocational education. In terms of certification services, a total of six certificate examinations were held, with a total of 66,000 participants, and the recognition of Seentao 1+X certificates in institutions was further enhanced. Seentao and the Education and Examination Center of the Ministry of Industry and Information Technology jointly issued the certificate of “Enterprise Digital Intelligence Business Innovation Platform Application Engineer”, which is available on the official website of the Education and Examination Center of the Ministry of Industry and Information Technology, and the certificate holders are included in the national database of technical skills of industry and information technology.

(iii) Progress of product development

1、Yonyou BIP 3 breakthrough and leadership

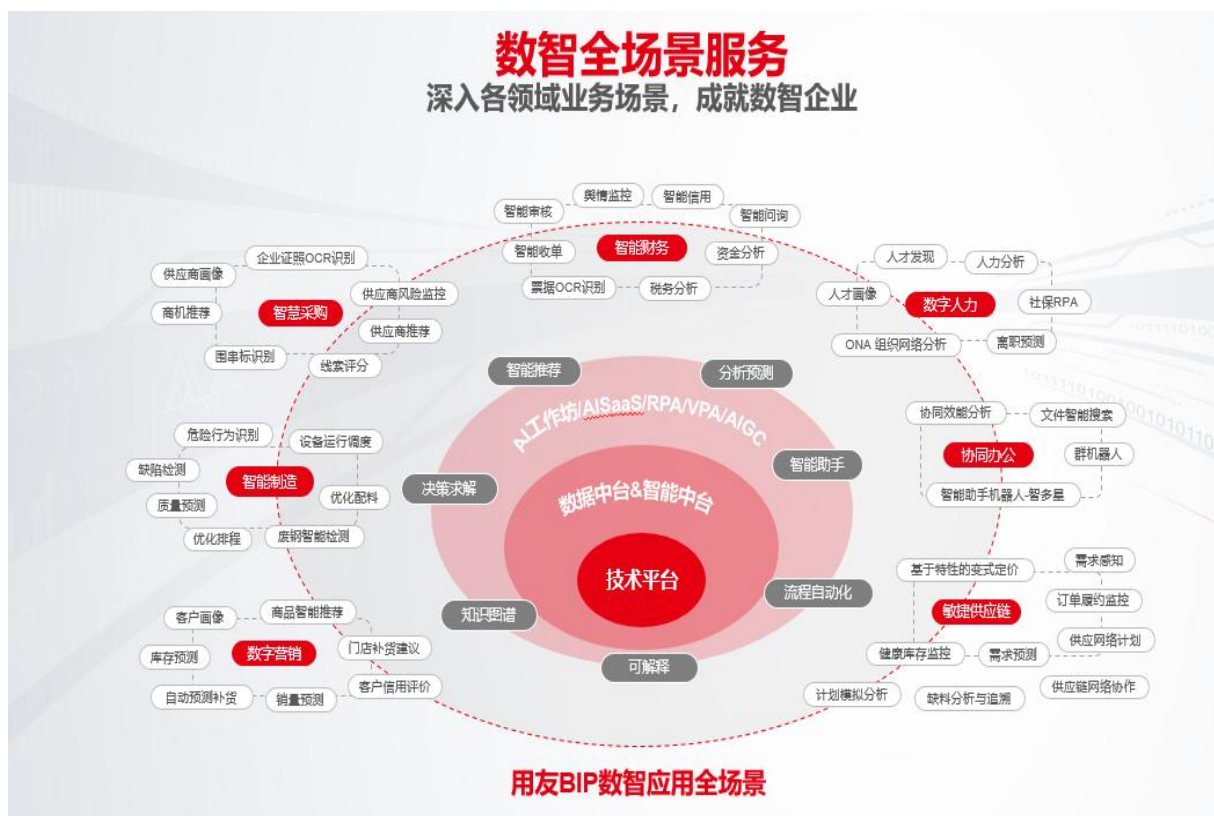
During the reporting period, the Company accelerated its breakthrough in product development and released “Yonyou BIP 3”, marking a new stage in the development of Yonyou’s business innovation platform. With the continuous accumulation and iterative upgrading, Yonyou BIP 3 has formed a strategic composition of three levels: digital intelligence base, innovation service and ecological system, covering 10 core areas of intelligent finance, human resources, supply chain, procurement, manufacturing, marketing, R&D, projects, assets and collaboration.

Yonyou BIP 3 includes 5 first or leading technologies, 6 leading application architectures, 465 innovative services, and a fast-growing ecosystem; over 600 core patents and over 1,400 software copyrights; 4,343 API interfaces (public cloud) are provided, with an average daily call volume (public cloud) of over 15.23 million and daily requests (public cloud) of over 1.3 billion requests per day. Yonyou BIP 3 is a global leader in breakthrough innovation from platform technology and application architecture to application and business services, ecosystem and user experience.

Yonyou BIP 3’s iuap platform provides advanced technology and application architecture, unified platform and public services through “three platforms + three middle platforms”; Yonyou Finance Cloud has launched the new BIP business travel and expense control services to optimize users’ business travel experience and improve enterprise operation efficiency and management; Yonyou BIP transaction accounting has become the world’s first accounting system based on the transaction method. Yonyou Human Resources Cloud completed the update iteration based on Yonyou BIP 3; Yonyou Marketing Cloud released the new Yonyou BIP 3 CRM; Yonyou Procurement Cloud’s six procurement SaaS services and collaborative network BaaS services drive high-quality development of large enterprises on two wheels; Yonyou Manufacturing Cloud added a series of new services and features, and Jingzhi Industrial Internet A series of significant developments were obtained, and it continues to be selected as a cross-industry and cross-discipline industrial Internet platform evaluated by the Ministry of Industry and Information Technology in 2022.

2、Yonyou BIP 3’s intelligent advantages

Yonyou BIP actively embraces the new era of AI popularization and application. By building AIPaaS capabilities, Yonyou BIP Intelligent Middle Platform provides a series of AI-driven intelligent application services, intelligent application development, robotic process automation (RPA) services, knowledge mapping, etc. to help enterprises apply AI technology with low threshold and high efficiency, build enterprise intelligent brains, and promote more convenient business innovation. BIP 3 has established over 2,300 enterprise service application models, over 70 thematic AI models, over 1,000 out-of-the-box robots, and over 300 digital intelligence application services based on these models, which are distributed in finance, human resources, procurement, manufacturing, marketing and other business fields, helping enterprises establish comprehensive digital intelligence capabilities at the presentation, analysis, control, decision and innovation levels, fully reflecting BIP 3's advantages in AI and big data empowerment.



3. New generation development system

In addition to the breakthroughs in product technology, Yonyou has also upgraded its new-generation development system with the release of Yonyou BIP 3. With the release of Yonyou BIP 3, the company has also upgraded the construction of a new generation development system, which defines and supports the future three-tier enterprise application architecture (horizontal/cross-industry domain applications, industrialized applications of domain products and industry front-end business systems). The new development system focuses the company's R&D investment direction, introduces multi-level ecological partners, and fully supports product and business industrialization development.

(iv) Progress of ecological business

During the reporting period, with Yonyou BIP as the cornerstone, the Company continued to upgrade and optimize its ecological partner development strategy to accelerate the construction of a global leading convergent enterprise service ecology.

As for ISV eco-partners, the company built a comprehensive ISV ecosystem based on the YonBIP platform, implemented the operation concept of "co-construction + co-management + co-sales", and promoted the all-round cooperation and development of the ISV ecosystem. The number of ISV partners reached nearly 2,500, representing a year-on-year growth of more than 150%. Ecological business revenue grew significantly year-on-year; the YonStore customer online transaction, partner goods on the shelf transaction, and the ecological cooperation ability of sales staff were further improved in Yonyou Cloud Marketplace, which strongly supported the implementation of customer-oriented large-scale ecological solutions.

As for strategic ecological partners, the Company has been working with strategic partners such as telecom operators, cloud infrastructure vendors, banks, and many industry leaders to continuously achieve commercialization project transformation results and scale output in many industry sectors through product integration and joint solutions, and jointly promote the change and development of the industry.

As for professional service partners, we have aggregated and empowered many professional service partners in consulting, implementation and customized development services to provide full-stack professional services for enterprises around the process of

transformation of enterprise digital intelligence, and the number of professional service partners has reached 419. Under the trend of localization, a number of service partners who used to cooperate with foreign ERP vendors are joining the Yonyou ecosystem.

In terms of eco-marketing, we have upgraded the Yonyou eco brand comprehensively and driven the rapid growth of the eco-business through a series of special marketing such as the Company Eco Conference, Business Innovation Eco Summit, the 4th Developer Competition, the 5th Digital China Construction Summit, and Huawei B2B Enterprise Festival.

(v) Staff and organizational development

During the reporting period, the Company optimized its business organization system, strengthened matrix operations, optimized human resources allocation, and upgraded talent levels, focusing on strengthening the introduction of R&D, digital intelligence consulting, ecology and sales talents. We upgraded the job ranking system to effectively track the development of employees. We upgraded and optimized the performance appraisal system, strengthened the construction of key positions and the cadre posting system, and discovered and cultivated excellent internal talents, strengthened the integration, empowerment and value play of new employees.

(vi) Investment and M&A situation

During the reporting period, the Company established Zsiko Industrial Software Co., Ltd. as a holding subsidiary to provide digital intelligence products and services in the field of enterprise R&D. The Company also acquired Beijing Dianju Information Technology Co. Ltd. to enhance the Company's data service capability and help customers improve their operations and management through data value models.

(vii) ESG progress

During the reporting period, the Company disclosed an ESG report for the first time in place of a social responsibility report. The content of the report was based on the Sustainability Reporting Standards (GRI Standards (2021 Edition) issued by the Sustainability Standards Board (GSSB) and the United Nations Sustainable Development Goals (SDGs), and also referred to the relevant disclosure recommendations of the Shanghai Stock Exchange on social responsibility. The report focuses on the three

dimensions of environmental, social and corporate governance, and the content focuses on the non-financial risks faced by the company that have an impact on financial performance, as well as related management behaviors, practices and performance. In September 2022, Yonyou's MSCI ESG rating was upgraded from "BBB" to "A". At the same time, the Company has set up a sustainability committee under the President's Council with the chairman and president of the Company and vice presidents of key positions as members to promote the in-depth integration of environmental, social and governance (ESG) concepts into the Company's business management activities from a high level of management and to comprehensively improve the Company's ESG management level, and the sustainable development work has entered a new stage.

II. Industry status of the company during the report

(i) External macro environment

In 2022, China's economic development encountered numerous unexpected factors both at home and abroad, resulting in disturbances of different degrees across all industries. Under the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, the entire Party and people of all ethnic groups across the country rise up to the challenge, forge ahead, and take holistic approaches to cope with both the domestic and international situations, gave equal attention to both development and security and increased macro-control efforts to address unexpected factors, steadily improved the quality of development, realized sufficient scientific and technological innovation achievements, comprehensively brought reform and opening up to a higher stage, and maintained overall economic and social stability. In the following year, with China's economy, characterized by strong resilience, great potential, and sufficient vitality, along with the realization of various policies effects, and the gradual stability fulfilled in the internal and external macro environment, the overall economic status of China is expected to show recovery and improvement. In the medium to long term, the economy is expected to achieve comprehensive evolution. Benefiting from the gradual inclination of the financial budget towards digitization, and the gradual advancement of enterprise operations, an increase in IT spending is seen, and the

company's industry is hopeful to usher in a more positive and favorable development environment.

(ii) Analysis of the industrial status of the company

The digital economy is a new economic form realized with digital knowledge and information being key production factors, digital technology being the core driving force, and modern information networks being an important carrier. Through the deep integration of digital technology and the real economy, the digital economy continuously improves the digital, network, and intelligent level of economic society, accelerating the reconstruction of economic development and governance models. In October 2022, the 20th National Congress of the Communist Party of China highlighted the importance to accelerate the development of the digital economy, and promote the deep integration of the digital economy and the real economy in creating a digital industry cluster with international competitiveness. At the Central Economic Conference held in December 2022, it was stressed that safety is of equal importance as development for industrial policy. Vigorous efforts are needed to develop the digital economy, improve the level of normalized regulation, and support platform enterprises to demonstrate their skills in leading development, so as to create employment and gain competitiveness in the international market. We must take advantage of the new opportunities produced in the process of global industrial structure and layout adjustment, and we must have the courage to explore new fields and gain new advantages. The industrial panorama of the digital economy can be divided into four sections: data value, digital industrialization, industrial digitization, and digital governance, covering both emerging and traditional industries. The "14th Five Year Plan" for the Development of Digital Economy issued by the State Council proposes that by 2025, the added value of core industries in the digital economy will account for 10% of GDP. The China Academy of Information and Communications predicts that the scale of China's digital economy will exceed RMB 60 trillion by 2025. According to the statistical data released by the Ministry of Industry and Information Technology of the People's Republic of China, in 2022, there were over 35,000 enterprises above the designated size in the software and information technology service industry nationwide, with software business revenue exceeding RMB 10 trillion, a year-on-year increase of 11.2%, and a decrease of 6.5 percentage points compared to the same period last year. Among

them, cloud services and big data services achieved total revenue of RMB 1042.7 billion, a year-on-year growth of 8.7%.

On February 27th, 2023, the Central Committee and the State Council of China initiated the "Overall Layout Plan for the Construction of Digital China", marking the accelerated landing stage of the development of the digital economy. With the policy guidance and support of the Party and government, and the continuous advancement and integration of new-generation digital and intelligent technologies such as artificial intelligence, cloud computing, and big data, the enterprise service market will exhibit the following characteristics:

1. Enterprise Digital Intelligence

(1) The focus of corporate customers has shifted from internal management to business operations, from offline to online, from internal collaboration to external collaboration, from upstream and downstream connections and customer connections of the industry to connections between socialized potential customers and business partners. The scope of corporate services is expanding, requiring more approaches to reach different types of users and providing simpler and faster connectivity channels.

(2) Network and data security have become the core requirements of enterprises, and the demand for localization alternatives has steadily increased. The accelerating promotion of large central state-owned enterprises' innovation and independent control requires a new generation of localization EPR alternatives.

(3) Platformization, digitization, intelligence, and ecology have become a trend, accelerating the transformation to a business-driven and data-driven model. Data, as the fifth element, promotes data governance. Therefore, for customers, a business analysis and decision support platform that includes all aspects and resources of enterprise operation is a must for the digital reconstruction of the enterprise.

(4) Most enterprises require more professional and rapid delivery, operation, and maintenance services.

(5) The customer perception of the collaborative office market is becoming increasingly evident. The service portfolio of "unified portal + collaborative office + application development platform + ecological services" has gained consensus in the industry. Collaboration is more than a collaborative office; it is also a complex of enterprise portals, mobile service platforms,

integration platforms, rapid development platforms featured by low/zero code and lightweight applications, and ecological service markets.

(6) The expansion of personalized needs of large enterprises shows no suspension, and low code platforms are gathering more interest. Under the storm of digital intelligence among Chinese enterprises, the increasing demand for software applications, coupled with high software development costs and a considerable gap between the scale of IT talent and actual demand, has led to significant development potential for low code in China.

(7) The advancement of mobile internet technology has led to subtle changes in the methods for the management and operation of enterprises. Mobile intelligent management tools connect with different enterprise applications through multiple methods, expanding the scope of office work and eliminating the constraints of time and space for employees to work. These tools have achieved the popularization of mobile office models, helped enterprises improve their work efficiency, and helped enterprises fundamentally reduce operating costs, further promoting the development of enterprises.

(8) The global ChatGPT boom marks the breakthrough of AI (Artificial Intelligence) from the era of innovative applications to the age of pervasive applications and the arrival of the period of comprehensive digital intelligence business innovation. Moreover, global IT technology and industrial innovation have ushered in a new AI-centered era from the cloud computing-centered era. Artificial intelligence is showing up more frequently in various business and management scenarios. Based on digitalization, intelligence has become an innovation focus for enterprises and public organizations. Artificial intelligence has become an underlying feature for the new generation of enterprise service applications, and digital intelligence technology will drive all walks of life to achieve comprehensive digital intelligent business innovation. In brief, the enterprise service industry has become a mainstream development trend from informatization to digital intelligence, from ERP (Enterprise Resource Planning) to BIP (Business Innovation Platform).

Yonyou first proposed the innovative concept of "BIP," positioning itself as a joint platform for digital intelligence business application level infrastructure and enterprise service industry. Using the new generation of digital and intelligent technology, it provides customers with a comprehensive enterprise service product matrix from platform to domain service, industry

service, and ecological service, enabling enterprise product and business innovation, organizational and management transformation, and empowering ecological partners to jointly promote the development of the enterprise service industry. Facing the development of technology, Yonyou BIP will uphold the concept and original intention of "business innovation is so convenient," actively embrace the era of AI popularization and application, accelerate AI-based themed service innovation, achieve digital intelligence enterprises, and enable business innovation.

2. Localization of information and innovation

The country keeps increasing its efforts to support scientific and technological innovation, with the information innovation industry becoming a national strategy. Combining the upgrading and optimization of digital and intelligent enterprises based on the new generation of ICT technology, the value substitution of digital and intelligent upgrading + information and innovation has been formed. The data in the "Research and Selection Evaluation Report on China's Information and Innovation Ecological Market in 2022" exhibit that the scale of the information innovation industry reached RMB 922.02 billion in 2022, and it is expected to exceed RMB 2 trillion in 2025, with a five-year compound growth rate of 36%. The "2022-2023 Research Report on China's Ecology and PC Market Development of Information Innovation" released recently by CCID.com indicates that China's information innovation industry has strode into a rapid development stage. The information innovation market of the Party and government is continuously sinking and developing in-depth, while the information innovation industry is expanding from the Party and government fields to key primary industries and ultimately to the entire industry. From 2020 to 2022, the demand for information innovation for the Party and governments has exploded. From 2023 to 2027, information innovation for industries will supplant the Party and government, gradually spreading from the financial industry, energy industry, and operators to sectors such as education and medical care. In the following five years, the industry's demand for information innovation and the "2+8+N" application system is likely to expand from the Party and government to the industry (representing the two major fields of the Party and government, as well as the eight major industry applications such as finance, oil, electricity, telecommunications, and multiple application themes in the downstream). It is expected that in the next 3-5 years, with the continuous advancement in independent research and development capabilities, the ecosystem of

the information innovation industry will become increasingly prosperous, showing a trend of enduring innovation, ecological reconstruction, integrated development, and maturity. In enterprise services, information innovation will first be replaced by "peripheral systems," such as contract management, procurement management, and internal risk control, and then gradually transitioned to core systems such as ERP. Yiou Think Tank predicts that the localization ratio of central enterprise business management systems will reach 20% by the end of 2023 and 50% by the end of 2025. There is much room for developing SaaS in China in the future.

3. SaaS industry

After more than a decade of development since its formation, China's SaaS industry has ushered in a new era of rapid growth and is expected to enter its autumn around 2025. However, the domestic SaaS industry ecology is not yet complete, and the market is not mature. Significant upside potential is seen for the future development of SaaS in China. The measurement from iResearch Consulting suggests that the market size of China's enterprise-level application software will reach RMB 259.2 billion in 2021, with SaaS accounting for 28.1% of the total. In the panorama of enterprise digital intelligence transformation, SaaS plays a fundamental role at the application level and usually serves as a direct entry point for enterprise-specific digital intelligence. Meanwhile, enterprises from various industries and areas have discovered the availability and feasibility of digital intelligence technology/tools in their actual business process, rendering SaaS the mission of a "theme incubator" of digital intelligence. SaaS, featured by subscription payment, agile deployment, and rapid verification, is undoubtedly an advanced model for enterprise digital intelligence from top-level design to implementation.

III. Business status of the company during the reporting period

Yonyou remains true to and has been leading the enterprise software and enterprise service market for 35 years and has become a leading cloud service and software provider for enterprises and public organizations in China and the world. The company has enjoyed the largest proportion of the Chinese enterprise software market for many years. In recent years, in addition to leading the enterprise cloud service market, our strategic direction in the new stage of strategic development (3.0-II) is to build and operate a globally leading enterprise cloud service platform, and achieve

the strategic goals of covering tens of millions of customers, hundreds of thousands of partners, and hundreds of millions of members (community individuals).

The company integrates the most recent generation of information technologies such as mobile Internet, cloud computing, big data, artificial intelligence, the Internet of Things, and blockchain. In light of the concept of a Business Innovation Platform (BIP), we made sufficient utilization of the combination of technology and commerce. Through the construction and operation of a globally leading business innovation platform, YonBIP, which is characterized by digitation, intelligence, globalization, socialization, ecology, platform-based, high resilience, security, and reliability, we provided enterprises and public organizations with a digital intelligence platform base and multi-disciplinary and cross-industry enterprise cloud services in finance, human resources, collaboration, marketing, procurement, supply chain, manufacturing, research and development, assets, projects, and other fields, introducing simplicity, convenience, popularity, and socialization to the digital intelligence business innovation (including business innovation and management reform) of enterprises.

The company adopts a cloud service business model to provide PaaS, SaaS, BaaS, DaaS, and other services to enterprise and public organization customers. Multiple deployments such as public cloud, private cloud, or hybrid cloud technology architecture are available according to customers' needs. Subscription is supported for customers purchasing public cloud products. Subscription and early consultation implementation constitute our main source of revenue of us. Subscription-based payment or license model is optional for customers purchasing mixed cloud and private cloud products. The company remains true to the acceleration of upgrading its business income structure with subscription payment as its basis.

(i) Large enterprise service business

The company provides YonBIP cloud services for large enterprises (giant enterprises and general large enterprises). YonBIP is an application-level infrastructure for digital commerce and a co-creation platform for the enterprise service industry, enabling innovation in digital business for enterprises. YonBIP employs a brand new technical architecture as cloud-native (including micro-services), metadata-driven, Middle Platform, and digital and digital separation to build a technological platform, a low code development platform, a connection integration platform, a business center, a data center, and an intelligent center. It covers ten major fields, including

finance, human resources, collaboration, procurement, marketing, supply chain, manufacturing, research and development, projects, and assets, enabling business innovation in enterprises and industries as product and business innovation, organizational and management reforms to promote social and business advancement.

The company provides industry cloud service products and solutions for vertical industry business as automotive, finance, tobacco, telecommunications, radio, and television.

For large enterprise customers, the company combines cloud services and software and profits from product licensing, subscription, product support services, platform, business operations, data services, consulting implementation, and other professional services.

(ii) Medium-sized Enterprise Services

The company provides YonSuite cloud service sets from the YonBIP platform for growing enterprises. With cloud-native architecture at its basis and under the theme of digital intelligence application, YonSuite gives access to all-public cloud-integrated enterprise cloud services for growing enterprises. Its services mainly include complete applications in the fields of "finance, human resources, collaboration, marketing, procurement, supply chain, manufacturing, and project," aiming at providing digital intelligence cloud service integration solutions for innovative enterprises in the service, circulation, manufacturing, and other industries.

The company's U9 Cloud ERP for medium-sized and large medium-sized manufacturing enterprises includes production and manufacturing, supply chain, project management, financial accounting, management accounting, human resources, and other functions. It integrates services such as PLM, intelligent factory, AIoT, manufacturing cloud, marketing cloud, procurement cloud, financial cloud, tax cloud, and human resources cloud to provide customers with standard products and solutions.

The company continues to provide U8 Cloud ERP products and U8 + ERP suites for medium-sized enterprises, including applications in fields like intelligent manufacturing, marketing, business control, supply chain, financial accounting, and human resources. It provides customers with standard products and solutions and adopts channel distribution for sales.

Our revenue from medium-sized enterprise customers mainly consists of subscriptions, product licensing, and product support services.

(iii) Small and micro-enterprise service business

The company's cloud service business for small and micro enterprises is provided by the company's holding subsidiary Changjietong. Changjietong gives top priority to two major fields of small and micro enterprises, namely, digital intelligence finance and taxation, and digital intelligence commerce, comprehensively opening up the human, financial, goods, and customer management of small and micro enterprises, integrating applications for finance, purchase, sales, and inventory, customer revenue and expenditure, and collaborative office work. Its main cloud service products are Good Accounting, Good Business, Good Business Finance, Easy Accounting, and T + Cloud.

Our revenue from small and micro-enterprise customers mainly consists of subscription and product licenses.

(iv) Services for government and other public organizations

The company's business for government departments, public institutions, and non-governmental, non-profit organizations is provided by its holding subsidiary Yonyou Government Affairs. Yonyou Government Affairs is committed to supporting the modernization of the national governance system and governance capability, providing products and solutions such as financial budget management integration, financial and internal control integration of administrative institutions, social security fund and medical insurance fund supervision, people's congress online supervision system, government big data platform, "Internet plus" government service platform and government procurement cloud to promote digital and intelligent transformation and development. Its revenue mainly comes from product licensing and professional services such as consulting, implementation, customer development, and subscription.

The company's business for universities and other educational institutions is provided by the company's holding subsidiary, Xindao Technology. Xindao Technology is committed to serving the education industry in China, adhering to the concept of "cultivating digital and intelligent talents and serving industrial upgrading," focusing on digital and intelligent talent cultivation. Centering on different professional fields such as intelligent accounting, digital and intelligent marketing, digital and intelligent human resources, digital and intelligent management, financial technology, industrial Internet, and innovation and entrepreneurship, it is supported by DTC's underlying technology platform to create VBSE Cloud comprehensive practice, DBE Cloud

digital and intelligent practice, B + Cloud basic practice and S + Cloud cognitive practice. Its revenue mainly comes from subscriptions, product licensing, consulting implementation, and other professional services.

IV. Analysis of core competitiveness during the reporting period

适用 不适用 (Applicable Not Applicable)

During the reporting, the company's core competitiveness was mainly reflected in the following aspects:

(i) Product Advantages

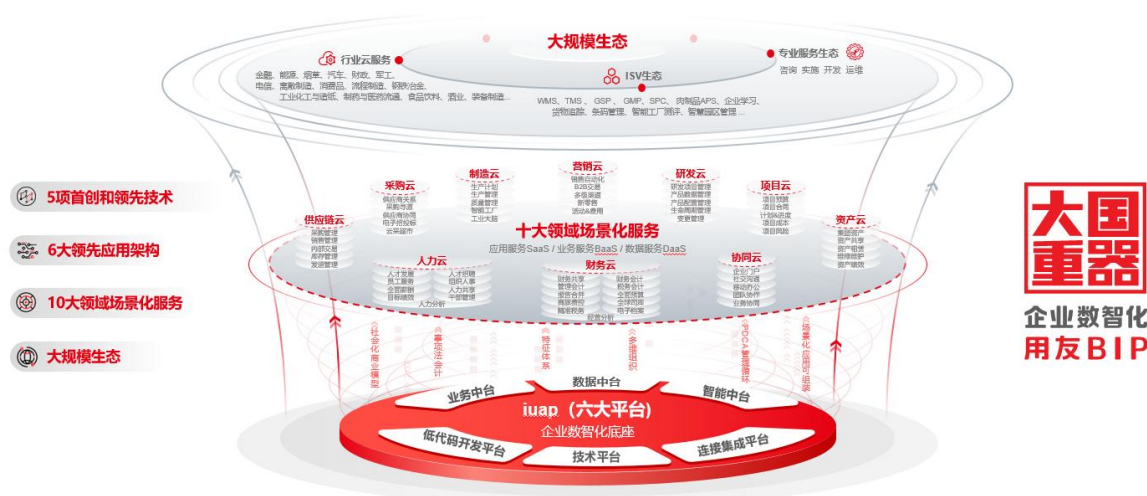
The Yonyou BIP business innovation platform is a platform designed by the new generation of information technology, coupled with cloud-native, metadata-driven, Middle platform-based, and data usage-separated architecture. This platform represents a platform-based ecological cloud service group that covers platform services, application services, business services, and data services, and integrates tools, capabilities, and resource services to serve enterprise and industrial business innovation. Yonyou BIP built up six major platforms, including a technology platform, business center, data center, and intelligent center, and focuses on ten core areas, including finance, human resources, supply chain, procurement, manufacturing, marketing, research and development, projects, assets, and collaboration. It gives comprehensive support to enterprise and industrial business operation and management, enables enterprise digital and intellectual transformation and development, and moves forward social and commercial progress.

Yonyou BIP is innovative and leading in cloud technology. Its technology foundation, iuap, the first pure cloud-native PaaS platform in China that prioritizes the public cloud, adopts micro-service architecture to integrate operation and maintenance. Based on its YKS container cloud and YMS cloud middleware technology, Yonyou achieves cross-cloud technology breakthroughs, multi-cloud adaptation, as well as the same set of code for both online and offline cloud service and integrated delivery. Yonyou realizes innovative advancements in application architectures such as social commerce, event accounting, feature systems, and multi-dimensional organizations. We support social-level digital modeling and the construction and operation of more sophisticated, multi-dimensional, and elastically expanded business scenarios in areas such

as finance, human resources, and supply chain to meet the needs of large and medium-sized enterprises.

In addition to providing platforms, Yonyou BIP also provides a wide range of cross-industry common SaaS services. It provides plenty of themed applications in major business areas such as marketing, procurement, manufacturing, finance, human resources, and collaboration, giving access to on-demand cloud services for enterprises. Enterprises can also carry out decoupling, restructuring, connecting, and assembling based on the global business center and realize digitation in various business areas and under several themes.

Yonyou BIP is an application-level infrastructure for digital intelligence commerce and a co-creation platform for the enterprise service industry. This positioning makes Yonyou BIP an ecosystem rather than a platform. Yonyou BIP aims to aggregate 100,000 ecological partners, connect billions of community individuals, and jointly serve over ten million enterprise customers.



Yonyou remains committed to adhering to the core values of being a friend of users, continuous innovation, and professional struggle, all for creating value for customers. Currently, Yonyou has more than 230 branches and 10,000 ecological partners worldwide, and Yonyou BIP has become the first choice of digital intelligence business innovation platform for industry-leading enterprises.

Based on the Yonyou BIP business innovation platform, Yonyou has created a full stack of digital intelligent information and innovation platforms, which provide a comprehensive information security protection system, build a joint solution for the entire stack of digital intelligent platform

information and innovation for 23 industry categories and 68 sub industries, finish the information and innovation adaptation for 299 adaptation items, and obtain 237 adaptation certificates, realizing the full stack coverage of information innovation from servers, chips, storage, operating systems, databases, enterprise cloud services to superior applications.

(ii) Research and development superiority

Since its formation, the company has focused on independent research and development by ensuring sufficient research and development investment and building an industry-leading research and development system. After years of continuous efforts, we have formed a product and technology research and development system covering platforms, fields, key industries, and ecology in the fields of digital intelligence in enterprises and public organizations. In addition to the research and development center at the headquarters in Beijing, we have also established research and development bases in Shanghai, Xiamen, and Chongqing and product innovation centers in Shenzhen, Hangzhou, and Chengdu. Looking forward, the company will expand its research and development investment, introduce excellent technology and product research and development talents for technological innovation of cloud service products, and build a professional research and development talent team and system to achieve a leading global enterprise cloud service platform at the Yonyou 3.0-II strategic stage.

The company is home to the National and Local Joint Engineering Research Center for Development and Application of Enterprise Intelligent Cloud approved by the National Development and Reform Commission, the Beijing Engineering Laboratory for Key Technologies of Enterprise Cloud Platforms, and the Joint Research Center for Time Sequence Data and IoT Applications of Tsinghua University (School of Software) - Yonyou Network Technology Co., Ltd. It is a member of seven national core organizations, including the China Electronics Industry Standardization Technology Association, the National Information Technology Service Standards Working Group, and the 5G application industry matrix. Its Yonyou cloud platform and Jingzhi Industrial Internet platform have gained six national authoritative product qualifications. The company has obtained over 20 certifications for independence and credibility, mutual trust, and product compatibility. The company has passed the highest CMMI5 certification evaluation in the global software field, ISO27001 information security management system certification, ISO20000IT service management system certification, and EAL3+level security certification. The

company has won the CCRC information security service qualification certification. It is the only enterprise among similar manufacturers that has earned three single certifications of the same level: software security development, information system security integration, and information system security operation and maintenance.

As a member of the drafting committee, we took part in the preparation of the national standard GB/T 23011-2022 "Value Benefit Reference Model for the Integration of Informatization and Industrialization in Digital Transformation." This standard is the first national standard for digital transformation issued in China and represents a significant milestone for the standardization of digital transformation. In the newly released cross-industry and cross-field industrial Internet platforms list in 2022, Yonyou Jingzhi Industrial Internet Platform has qualified again as a "digital management" manufacturer, contributing to its fourth consecutive qualification.

(iii) Brand and market strengths

As a leader in China's enterprise cloud services and software industry, the company has gained high recognition from the market, customers, and partners in several fields. Research by Gartner proves that the company is the only Asia Pacific vendor in the TOP 10 global ERP SaaS market and the only Chinese enterprise-level SaaS vendor selected as among the top 15 global Application Platform Software companies. In addition, we also rank among the top 10 global financial (FMS) and asset management (EAM) markets. In particular, according to the research of IDC and CCID consultants, the company remains the most valued in the Chinese enterprise cloud service market, occupies a place in the Chinese PaaS market leader quadrant, ranks first in China's APaaS market share, China's enterprise application SaaS market share, China's ERM SaaS market share, as well as China's financial SaaS market share, and holds the first position in China's enterprise application SaaS super large and large enterprise market share for several consecutive years. We were awarded the 2021 Financial SaaS Global Customer Satisfaction Award and remain a leading brand for independent innovation in digital intelligence services and software localization for Chinese enterprises.

Yonyou BIP 3 has earned the evaluation certificate of "Foundry Program - High-Quality Digital Transformation Products" issued by the China Academy of Information and Communications Technology (CAICT), proving that Yonyou BIP meets the requirements of high-quality digital transformation of enterprises in many aspects, such as operating costs, innovative management,

operational efficiency, service quality, user experience, and security and protection, and is qualified for driving the high-quality development of digital products and applications. The company takes the lead in establishing a special committee for PK system ecological alliance enterprise digital intelligence, which helps promote the deep integration of PK system ecology and Yonyou solutions. Based on the PK system, Yonyou and members of the special committee jointly facilitate digital intelligence transformation and localization value substitution. We have found the "Tsinghua University (School of Software) - Yonyou Network Time Sequence Data and IoT Application Joint Research Center" jointly with Tsinghua University to explore a new path to the localization value substitution of industrial software through the integration of industry, university, and research.

We are the first in the industry to have a central video account and a Xinhua account, which expand national financial media channels, and comprehensively enhance the market influence of Yonyou BIP. The selection and recommendation of the CCTV "Outstanding Brands of The Great Power" program have officially introduced the company to the ranks of the "National Team of China Brand." The documentary "Yonyou BIP, The Pillar of a Great Power" was produced under the supervision of Renmin.com and released by Renmin Video. It fully demonstrated the major value substitution role played by the company with its new generation of products and platforms of Digital Intelligence during the evolution of Chinese enterprises towards Digital Intelligence.

We grandly convened the 2022 Global Business Innovation Conference, broadcast live on 12 major platforms, including Xinhua.com and China.com and attracted over 13 million online participants. At the conference, Yonyou BIP was heavily upgraded, and a landmark new product, "Yonyou BIP 3," was promulgated. During the reporting period, we attached great importance to the market promotion of Yonyou BIP. We created three group-level IP events: Yonyou Ecological Conference, Yonyou BIP Technology Conference, and the state-owned enterprise digital intelligence summit, pursuing to strengthen the market of product technology sustainably.

(iv) Benefits of marketing service network

We have been deeply involved in the enterprise and public organization informatization and digital intelligence application market for decades and have established a full-scale marketing service network. The company is home to a business marketing service network that serves medium to high-end customers across the country, as well as over 100 branches, which provide

localized and personalized services such as customer marketing, sales, professional services, and customer success in a timely and fast manner for large and medium-sized enterprises in China. The overseas branches of the company have founded marketing service agencies in various countries and regions in Southeast Asia to expand the overseas high-end customer market. We have business channel partners for small and micro-enterprise customers throughout the country, among which the cloud service business has expanded to new ecological partners and gradually established a diversified channel system that fits the cloud service business. We have cultivated a mature marketing network and ecological service chain in industries such as automobile, finance, tobacco, and education. The strategic customer business department founded by us has achieved significant breakthroughs in managing ultra-large enterprise customers. Our global ecological cooperation headquarters take holistic approaches to plan and facilitate the establishment and business development of the ecological cooperation business system throughout the group. We optimize and upgrade the successful organizational system of group customers, provide high-quality cloud mode operation services to customers, promote the automation and intelligence of services, and furnish high-quality services to customers using new technologies.

(v) Basic advantages of the company's customers

We have focused on enterprise software and services for 35 years and have formed a considerable customer volume, covering large and medium-sized enterprises, small and micro enterprises, as well as public organizations like the government.

Through years of deep cultivation and management of enterprise customers, especially through the continuous service provided to a large number of customers accumulated in the large enterprise customer market, the company has established an excellent large team focusing on research and development of enterprise products and solutions, implementation and delivery, and provision of smooth customer service, with rich experience and professional business capabilities being its qualifications. With these experiences and capabilities serving as the foundation, the company is guaranteed to act as a first-mover when historical opportunities such as localization in the high-end enterprise service market are right ahead and is enabled to grab a substantial share of the market of large enterprise customers. In addition, by providing services to large enterprises, the company's brand awareness, product technology, team capabilities, and customer base keep improving, aiding Yonyou in marching into the Chinese giant enterprise service market and

reaching cooperation with more and more Chinese giant enterprises. With its research and development advantages and service capabilities, the company is capable of growing and working together with giant enterprises. As to the market of medium-sized enterprises, by providing financial software and enterprise management software through Yonyou 1.0 and Yonyou 2.0, the company has accumulated a considerable number of inventory customers and established a solid customer base. Currently, the company remains a leader in the mid-tier market by continuing its efforts to take advantage of the product portfolio of YonSuite (an application of leading technology and structure), U9 Cloud (a leading application in the manufacturing industry), and U8 Cloud (a leading application in the market segment).

Facing the small and micro enterprises, Chanjet, the company's holding subsidiary, specializes in providing digital intelligence finance and taxation, and digital intelligence business cloud services, ranking No. 1 in the market coverage of the country in the field of financial cloud services for small and micro enterprises. After 17 years of accumulation, the average life cycle of Chanjet's small and micro customers has become far higher than the industry average. Its customers are widely distributed in fields like the service industry, wholesale and retail, manufacturing and construction, and are characterized by strong stickiness and solid anti-cycle ability.

In the new era, the strategic goal of the company will be focused on building and operating a globally leading enterprise cloud service platform, providing services for over ten million enterprise customers, aggregating 100,000 ecological partners and billions of community individuals, and creating unique value for business innovation in China and the world.

(vi) Advantages of customer industrialization

In a market environment where all industries are undergoing rapid alteration, digital intelligence has been recognized as a common consensus for enterprise development. To realize digital intelligence in the industry, the core business value of the enterprise shall be highlighted, coupled with thematic applications. After nearly five years of deep engagement in the field of enterprise software and services, Yonyou has achieved profound industry accumulation and the experience of serving multiple industry-leading enterprises. Taking the steel and metallurgical industry for instance, the company has provided service to 34% of the top 100 enterprises in the steel industry and 52% of the top 50 enterprises in the nonferrous metal industry. In the construction industry, it has provided products and services to over 70% of large construction enterprises nationwide. In

the energy industry, it provides over 50% of large energy enterprises with comprehensive digital and intelligent transformation services covering consulting planning, technology, products, solutions, implementation and delivery, operation and maintenance services, etc. More than 60% of industry leaders in the public utility sector have established long-term partnerships with Yonyou. The company has a profound understanding of the actual business needs of different industries, accurately helping enterprises and efficiently solving major bottlenecks, and facilitating the evolution of key theme innovation. In particular, the company has its own technologically advanced products and services which are thoroughly engaged in the industry, fully leveraging the enabling value of digital intelligence technology. Yonyou accelerated the transformation of digital intelligence among all industry sectors through thematic innovation capabilities.