

Section I: Management Discussion and Analysis

I. Operation Discussion and Analysis

(I) General Operations during the Reporting Period

During the Reporting Period, the Company continued to firmly implement the Yonyou 3.0-II strategic and operating plan for transformation to cloud services. Striving to work with "persistence, diligence and global leadership" while focusing on the three major annual goals of "enhancing products, occupying the market and improving capabilities", the Company actively improved the product competitiveness, market share and organizational abilities.

1. Overall operation performance

During the Reporting Period, the Company continued to implement business transformation and structural adjustment, achieving structural breakthroughs that increased the business revenue quality. The Company successively divested itself of financial services businesses like Beijing Chanjet Payment Technology Company Limited ("Chanjet Payment") and Yonyou Lihe Financial Service Co., Ltd. ("Yonyou Lihe"), actively downsized the software business, accelerated the transition to cloud services, enhanced the structure of the subscription business, and gradually promoted delivery subcontracting and outsourcing. These factors enabled the Company's revenue to increase 4.7% YoY to Rmb8.93bn, in which financial service business revenue declined 72.5% YoY. The Company's revenue of cloud service and software business increased 15.7% YoY to Rmb8.64bn, in which software business revenue declined 18.0% YoY. The Company's cloud service business revenue increased 55.5% YoY, accounting for 61.6% of cloud service and software business revenues, increased 15.8 ppts YoY, cloud service has become the Company's principal source of revenue.

During the Reporting Period, the Company continued to increase R&D investments, brought in R&D experts, improved the capabilities of the cloud service platform and core applications, and continued optimizing product performance. The Company invested Rmb2.35bn in R&D, +40.7% YoY, accounting for 26.4% of the Company's total revenue, which increased 6.8 ppts YoY. The Company further upgraded the sales organization system and increased customer coverage and

business promotion. The Company's sales expenses increased 31.7% YoY to Rmb2.03bn.

During the Reporting Period, the Company's net profit attributable to shareholders decreased Rmb278mn to Rmb708mn,. The Company's recurring attributable net profit declined Rmb501mn to Rmb405mn.

2. Cloud service and software business operations

Major indicator (Rmb mn)	Current	Previous	Change, %
Cloud service and software business revenue	8,641	7,470	15.7%
Incl: Cloud service business revenue	5,320	3,422	55.5%
Software business revenue	3,320	4,047	-18.0%
Cloud service business subscription ARR	1,650	-	-
Contract liabilities	2,156	2,093	3.0%
Incl: Contract liabilities related to software	575	1,006	-42.8%
Contract liabilities related to cloud services	1,580	1,087	45.4%
Incl: Contract liabilities related to cloud subscription	847	473	79.0%

During the Reporting Period, the Company continued to implement the cloud transformation strategy, operating with hierarchical and targeted approaches, and advocated digitization, a shift towards intelligent technologies and information innovation localization opportunities for large enterprises customers. This led to a 45% YoY increase in the number of large contracts with a total value of more than Rmb5mn, including some contracts valued at more than Rmb100mn, further solidifying the company's leading position in the large enterprise service market. The Company also structurally reinforced the presence in the medium enterprises market. The Company's YonSuite, U9 Cloud and U8 Cloud formed a strong product portfolio to meet the needs of various medium-sized enterprises customers and make the Company more competitive in the medium-sized enterprises market. In the small and micro enterprises market, Chanjet continued to

focus on digital intelligent fiscal tax services and digital intelligent commercial services, making a comprehensive shift towards the public cloud service business. This enabled the Company to continue leading the market in the field of finance and tax cloud services for small-micro enterprises.

During the Reporting Period, to make a structural breakthrough in high-quality business revenue, the Company fully implemented a subscription priority strategy, prioritized the development of a subscription-based public cloud, guided private cloud customers to pay for subscriptions, and improved its high-quality standard product service (SPS). In the large enterprises market, the Company's core product YonBIP made a breakthrough in the development of subscription-based public cloud services for cost control, taxation, manpower recruitment, and collaboration. In the medium-sized enterprises market, YonSuite experienced the large-scale development of subscription-based public cloud services in the market for growth enterprises, and made a breakthrough in terms of customer scale. In the small and micro enterprises market, Chanjet recorded rapid growth in the subscription-based public cloud business in the fields of digital and intelligent fiscal taxation and commerce. During the Reporting Period, the Company's cloud service business ARR reached Rmb1.65bn, and contract liabilities related to cloud subscriptions increased 79.0% YoY, laying the foundation for the Company's continuous rapid growth in subscription revenue and continuous upgrade of the business revenue structure.

During these business transformations and structural upgrades, the Company's cloud service and software business revenue growth was also affected by the following phased factors: (1) Traditional licensing shifted to subscription-based services, and subscription-based revenue was recognized in installments based on user usage periods, which had a negative impact on the revenue scale and growth rate at the business transformation stage, but will have a positive impact on the Company's subsequent business and revenue growth; (2) The Company gradually increased the amount of delivery provided by professional service partners, of which delivery subcontracting (for which the delivery contract is directly signed by and between the professional service partner and the customer) affected the Company's current revenue while improving the quality of the Company's business structure; (3) In 2H21, orders for large-scale projects grew rapidly, and the corresponding delivery cycle was prolonged, resulting in deferred revenue recognition.

3. The Company's performance of key tasks

(1) Enhancing products

During the Reporting Period, the Company continued enlarging R&D investment while pursuing the development of a unified technology platform, to enhance the platform, core applications and ecological integration capabilities of cloud service products.

The Company made breakthroughs in the fields of cloud technology, cloud middle platform, and the company's self-developed engine. The Company pioneered YKS and YMS cloud middleware technologies, achieving breakthroughs in multi-data centers and cross-cloud technologies. The Company launched the first rapid exclusive and privatized deployment technology on the public cloud, achieving a set of code engineering systems and effectively supporting agile iterative innovations of large-scale enterprises. Yonyou BIP cloud middle platform covered 10 major fields, building more than 2,300 enterprise service application models; and achieved the integration of the data platform and intelligence, providing more than 50 intelligent models and more than 1,000 analysis application scenarios. The Company's self-developed in-memory computing core multi-dimensional data engine was 100% independent, safe and controllable, supporting multi-criteria, multi-currency, and real-time consolidation of main tables and schedules under the scale of hundreds of billions of data points.

Based on a unified PaaS base, the Company built a large-scale enterprise digital and intelligent product matrix integrating YonBIP and NC Cloud. YonBIP's cloud platform capabilities were further enhanced, with a complete architecture and service scale that was reflected in the comprehensive improvement of platform performance, stability and security; YonBIP launched a new role workbench to improve the integrated low-code development platform; YonBIP launched data and intelligent service applications such as AI workshops, data workshops, and enterprise portraits; YonBIP continued deepening the cloud application services in different fields, continuously strengthened the application depth in the fields of finance, human resources, procurement, marketing, and manufacturing, and increased support for global applications. NC Cloud released standard and cloud-native versions, completed lightweight upgrades for all its products, and launched three new application products for project management, investment management, and state-owned assets services. NC Cloud improved multi-currency and multi-time

zone global application solutions and supported the global operation of multinational companies and the localized application of overseas customers. NC Cloud has been certified in terms of compatibility with nearly 50 information innovation products, forming a safe and reliable digital and intelligent solution. NC Cloud is the most mature application service through which large enterprises can achieve "steady-state operation management and a robust enterprise core".

YonSuite continued bi-weekly launches of new services, adding new services like project cloud, asset cloud, PLM and multi-level distribution, and new application scenarios in a variety of fields. At present, YonSuite products have provided more than 20 industry solutions, serving customers from more than 30 industries, and fully meeting the service needs of single-organization and multi-organization growth enterprises.

The Company developed and officially launched U9 Cloud products for medium and large manufacturing enterprises, providing functions including manufacturing, supply chain, project management, financial accounting, management accounting, and human resources, integrating services including PLM, smart factory, AIoT, manufacturing cloud, marketing cloud, procurement cloud, financial cloud, tax cloud, and human resources cloud, and focusing on SRDI (specialized, refinement, differential and innovation) customer groups to achieve high-quality growth.

(2) Occupying market

During the Reporting Period, the Company implemented hierarchical customer management, seized information innovation opportunities in the large enterprises customer market, and partnered with a series of central state-owned enterprises and leading private enterprises, such as CNNC, SDIC, CASC, CMCC, PSBC, Huawei, and BYD. YonSuite and U9 Cloud became the most competitive products in the medium-sized enterprises market, dominated the SRDI customer market, and attempted large-scale development in the growth enterprise customer group. The Company also signed contracts with customers such as Jiangsu Chafta Technology Co., Ltd., Shandong Nuclear Power Equipment Manufacturing Co., Ltd., and TIANSHANJIUDING. In the small and micro enterprises market, Chanjet continued focusing on the fields of digital and intelligent fiscal taxation and commerce, and maintained its leading position in the industry.

By the end of the Reporting Period, the Company had 193,200 new customers subscribed to cloud services. The number of cloud service paying customers in aggregate excluding financial cloud

service business customers was 438,300.

During the Reporting Period, the Company selected UFIDA BIP as the core of the Company's strategic ecology. Five major ecological initiatives, including Lihe (力合), Benfang (犇放), Yangsheng (扬升), Qianxun (千寻), and Huizhi (汇智), were implemented through the advance of the integration strategy of strategic alliance, integrating and integrated, cloud market, service integration, and platform operation. The Company had more than 2,200 business partners, 970 ISV partners (including 530 Chanjet ISV partners), over 370 professional service partners, and over 1,700 cooperative banks. The Company's cloud market application mall YonStore had over 10,000 partners, listed more than 15,000 products, and released 126 integration products.

During the Reporting Period, the Company increased efforts to promote the market strategy of "Enterprise Digitization, YonBIP" by conducting a series of marketing actions, and strengthened Yonyou's leading position in the industry in the new era. The Company served as the co-organizer of the China INFO 100 Summit 2021, and was closely involved in the 2021 Global Digital Economy Conference, 2021 World Internet Conference, and 2021 ZGC Forum, demonstrating the service concept and applications of UF BIP to the industry and thus enhancing the awareness and influence of UF BIP.

During the Reporting Period, the Company ranked first in several investigations and surveys conducted by worldwide authoritative consulting institutions. According to Gartner, the Company was the only Asia-Pacific vendor of enterprise resource planning (ERP) software in the global top 10, and was also the only Chinese vendor to be selected in the global cloud ERP market guide and comprehensive human resources service market guide. During the Reporting Period, the WeChat service account of "CEO of Yonyou" was officially opened, creating a bridge for direct communication between the Company and enterprises customers/users.

(3) Improving capabilities

As of the end of the Reporting Period, the Company employed a total of 20,998 staff, an increase of 2,916 or 16.1% compared with the beginning of 2021. The Company actively brought in digital and intelligent technology professionals and fresh graduates with high potential, and greatly increased the scale of YonBIP R&D personnel. By the end of the Reporting Period, the Company employed 7,693 R&D personnel, an increase of 1,446 compared with the beginning of 2021,

accounting for 36.6% of the total number of employees, and making R&D the largest department in the company. The Company continued to upgrade the sales organization system and improve sales capabilities, and the Company's number of sales staff increased by 611 to 3,325.

During the Reporting Period, the Company implemented the organization building, resources allocation and examination of public cloud services, reinforcing matrix management, upgrading the staff dual-channel development system, and optimizing the cadre performance rating system. This represented a long-term strategic orientation that encourages comprehensive development among cadres. The Company also promoted the implementation of the new equity incentive plan, which plays an important role in attracting, retaining and motivating vital talent, and optimized knowledge services, online learning, and sharing platforms to further support staff, partners and customers.

(II) Hierarchical Operation of Cloud Service and Software Business

1. Large enterprises cloud service and software business

Revenue (Rmb mn)	Current	Previous	Change, %
Cloud service and software business revenue	5,870,	5,016	17.0%
Incl: Cloud service business revenue	3,735,	2,568	45.4%
Software business revenue	2,135	2,447	-12.7%

During the Reporting Period, the Company advocated digitization, the use of intelligent technologies and localization opportunities to large enterprises customers to solidify its market lead. The Company's revenue from large enterprises increased 17.0% YoY to Rmb5.87bn, in which cloud service business revenue increased 45.4% YoY to Rmb3.73bn.

During the Reporting Period, the Company launched YonBIP flagship versions 202102, 202105, 202109 and 202111, further consolidating the cloud platform. NC Cloud released 202105 Standard Edition/Cloud Native Edition, 202111 Standard Edition/Cloud Native Edition, and completed the lightweight upgrade of all its products. NC Cloud and YonBIP cloud services in sensitive fields were fully integrated to form an integrated, digital and intelligent solution.

During the Reporting Period, the Company focused on establishing partnerships with super-large enterprises, contracting with more than 10 level-1 central government-owned enterprises. The

Company successfully promoted digital intelligent solutions in vertical industries such as automotive, finance, tobacco, telecommunications, and radio & TV, signing contracts with several major customers, including CASC, SDIC, China Everbright Bank, PSBC, China Galaxy Securities, Everbright Securities, PICC Life Insurance, China Telecom, China Unicom Software Research Institute, Shanghai Tobacco, Sichuan Tobacco, Guangxi Tobacco, China Tobacco (Chongqing), China Tobacco (Fujian), BYD, SANY, Shandong Hi-speed Group, Mingri Holdings, China PingMei ShenMa Group, China Longjiang Forest Industry Group Corporation, Derom Medical, Aoyang Group, China Construction Fifth Engineering Bureau, JINYU Tires, Ligao Foods, Yunnan Coal Industry Group, Fujian Benz Automotive, Ford New Energy, Geely Commercial Vehicles, and Yuantong Automobile Trading.

2. Medium enterprises cloud service and software business

Revenue (Rmb mn)	Current	Previous	Change, %
Cloud service and software business revenue	907	803	13.0%
Incl: Cloud service business revenue	393	157	150.3%
Software business revenue	514	645	-20.4%

During the Reporting Period, the Company continued accelerating cloud transformation in the medium-sized enterprises market, enhanced the structure of the subscription-based public cloud. The Company's revenue from medium-sized enterprises increased 13.0% YoY to Rmb907mn, in which cloud service business revenue increased 150.3% YoY to Rmb393mn.

During the Reporting Period, YonSuite 202109 Standard Edition and Professional Edition were successfully launched, and their product functions and performance were greatly improved. Through the construction of a unified delivery system, the Company achieved the standardized delivery of services such as remote delivery, on-site delivery and partner delivery, ensuring the Company's continuous and stable business growth. The Company increased pilot cooperation with strategic partners, conducted mass coverage and promotion for potential customer groups of YonSuite, and strengthened the customer operation system to enhance the customer repurchase rate. This enabled the Company to acquire nearly 3,000 new customers by the end of the year. The Company successfully signed contracts with template customers including Jiangsu Chafta Technology Co., Ltd., Guangdong Veibao Cosmetics, and Sichuan CO-OP Cloud, laying a good

foundation for the rapid growth of subscription revenue in the medium-sized enterprises market in 2022.

During the Reporting Period, U9 Cloud products focused on manufacturing to attract leading medium-sized enterprises, and achieved large-scale operations, rapid revenue growth, and the overall cloudification of complex discrete manufacturing. The Company successfully signed contracts with more than 300 SRDI small giants including Changzhou Nakonor Precision Rolling Equipment Co., Ltd., Nanxing Machinery Co., Ltd., Shandong Nuclear Power Equipment Manufacturing Co., Ltd., Foshan Sitzone Furniture Co., Ltd., Pylon Technologies Co., Ltd., Tianjin Soterea Automobile Technology Co., Ltd., Advanced Corporation for Materials & Equipment, and Kaifeng Instrument Co., Ltd.

During the Reporting Period, U8 Cloud focused on the modern service industry, business circulation industry, real estate construction industry and process manufacturing industry, which can flexibly deploy both public and hybrid clouds and fully support the information innovation environment. The Company successfully signed contracts with TIANSHANJIUDING, Daphne Investment (Group), Shanxi Lanhua Sci-Tech Venture, and Shenzhen Uyou Internet Limited Company.

During the Reporting Period, YonSuite, the first cloud-native and integrated growth enterprise SaaS in China, won the China Cloud Computing Best Cloud-native SaaS Service Award. U9 Cloud, the strongest manufacturing cloud ERP in China, was named the 2021 Manufacturing Cloud ERP Champion.

3. Small and micro enterprises cloud service and software business

Revenue (Rmb mn)	Current	Previous	Change, %
Cloud service and software business revenue	596	515	15.7%
Incl: Cloud service business revenue	509	241	111.2%
Software business revenue	86	274	-68.4%

During the Reporting Period, the Company's holding subsidiary Beijing Chanjet Payment Technology Company Limited ("Chanjet Payment") focused on the fields of digital and intelligent fiscal taxation and commerce, implemented a strategy that prioritized cloud services subscriptions, and comprehensively promoted the development of the cloud service business. The proportion of

cloud service business revenue increased from 47% in the previous year to 86%, indicating the Company successfully transitioned to cloud services. During the Reporting Period, Chanjet Payment's revenue increased 15.7% YoY to Rmb596mn, and the total revenue hit a new high. Chanjet's cloud service business revenue increased 111.2% to Rmb509mn. Chanjet Payment saw an increase of 180,000 new cloud service enterprises customers, an increase of 201% over the previous year; and up to 397,000 cumulative enterprises customers.

During the Reporting Period, Chanjet Payment achieved innovative breakthroughs in its key cloud products and further improved its product layout. Digital and intelligent fiscal taxation products enabled the integration of invoices, fiscal services, taxes and bank handling charges; they also combined the advantages of cloud finance and taxation, and focused on strengthening ecological cooperation and enhancing the ability to integrate and be integrated. Digital intelligent commerce products focused on improving new commerce, new retail, new manufacturing, and new service features of products to accelerate large-scale integration of business and finance. According to the Special Analysis of China's Small-micro Enterprise Cloud Finance and Taxation Market 2021 released by Analysys, Chanjet Payment ranked first among cloud finance and taxation service providers in terms of comprehensive strengths; Chanjet Good Accountant ranked first in cloud financing and taxation market coverage.

During the Reporting Period, Chanjet Payment was successfully integrated into the National Public Service Demonstration Platform for SMEs by the Ministry of Industry and Information Technology of China, and the list of SRDI SMEs in Beijing; received the 2021 Best Small-micro Enterprise Cloud Finance and Taxation Service Provider Award at the 8th Global Internet Economy Conference of GIEC2021; was selected as 2021 Enterprise Digital Governance Pioneer Practice Case by China Academy of Information and Communications Technology; was named a Top 10 Benchmark Partner of the 2021 Huawei Cloud Starlight Plan and also won the Huawei Cloud Kunpeng Best Practice Partner Award at the Huawei China Ecological Conference 2021 held by Huawei; won Alibaba Cloud's Best Co-Creation Award and the 2021 Outstanding Partner Technology Pioneer Award of Yunhe Plan, and also won the 2021 Best SaaS Provider Award at the 6th SaaS Application Conference jointly sponsored by Topwf and Shanghai Software Industry Association and Shanghai Chief Information Officer Union. At the 2021 IT Market Annual Conference hosted by CCID Consulting, Chanjet Good Accountant won the award for 2020-2021

Outstanding Innovative Product for Digital Transformation.

4. Service to government and other public organizations

Revenue (Rmb mn)	Current	Previous	Change, %
Cloud service and software business revenue	1,268	1,137	11.6%
Incl: Cloud service business revenue	684	456	50.0%
Software business revenue	585	681	-14.2%

During the Reporting Period, the Company's subsidiary, Beijing Yonyou Government Affairs Software Co., Ltd. ("Yonyou Gov.") created a scenario-based, intelligent and integrated government cloud product YonDiF for users with new technologies such as cloud computing and big data. Yonyou Gov. focused on finance and the financial business, and obtained 10 provincial-level centralized financial cloud markets. Yonyou Gov. intensively cultivated the People's Congress and social security markets, and continued maintaining high customer coverage and high growth; obtained 2 new ministerial-level customers and 15 new provincial-level medical insurance customers; successfully signed contracts with benchmark customers including Xinjiang Production and Construction Corps/Anhui/Sichuan/Inner Mongolia Autonomous Region/Henan Healthcare Security Bureau, Xinjiang Production and Construction Corps Finance Bureau, and Zhejiang People's Congress; and acquired Beijing Finstone Technology Co., Ltd.

During the Reporting Period, the Company's subsidiary, Seentao Technology Co., Ltd. ("Seentao Technology") engaged in large-scale promotion of the "digital and intelligent technology training system", deepened education support for colleges and universities, and actively expanded the off-campus training market, to provide comprehensive education products for higher education and vocational education as well as cloud services in the fields of accounting education, new commerce, new engineering and dual innovation. The Company also delivered advanced concepts, courses, technologies and teaching methods to institutions. During the Reporting Period, the Company released important cloud products including DBE digital marketing comprehensive practice teaching platform cloud laboratory, S+Cloud cognitive practice teaching platform, DBE Cloud digital and intelligent business environment practice teaching platform, enriching and improving the product system in the digital and intelligent talent training field. The Company

signed contracts with a number of benchmark customers including Beihang University, Beijing Institute of Technology, China University of Mining and Technology, the University of Science and Technology Beijing, Shanghai University, Xiamen University, and Tianjin University of Finance and Economics.

II. Industries the Company operated in during the Reporting Period

The latest round of scientific and technological revolution and industrial transformation is altering the global innovation landscape and reshaping the global economic structure. At present, China has occupied a leading position in the global information technology field in terms of industry scale, and information technology still has the potential to transform the traditional economy and cultivate and strengthen the emerging digital economy. The article *Building Up the Strength, Quality, and Size of China's Digital Economy* released by General Secretary Xi Jinping pointed out that, developing the digital economy represents a strategic choice to seize the opportunities presented by the latest round of scientific and technological revolution and industrial transformation. The development of the digital economy will help us create a new development dynamic, modernize our economic system, and develop new strengths for international competition. The 14th Five-Year Plan for Digital Economy Development printed and issued by the State Council pointed out that, by 2025, China's added value of the core industries of the digital economy will account for 10% of GDP. The China Academy of Information and Communications Technology predicts that the scale of China's digital economy will exceed RMB 60 trillion by 2025. The development of the digital economy will help modernize our economic system and enhance our ability to compete internationally. China's enterprise service industry has ushered in the historic market opportunity of the three waves of digitalization, localization and globalization. Enterprises require a platform that can make business innovation simple, convenient, popular and social.

With the new round of technological revolution and the digital economy entering the fast lane, the popularization of digitalization has clearly shown enterprises that digitalization is not only a historic opportunity, but also a necessary condition for survival and development. Today, digitalization is the only way for enterprises to achieve business innovation, and has brought huge market space to the enterprise service industry. China continues increasing its support of scientific

and technological innovation, making the information innovation industry rise to the level of national strategy. With the arrival of localization scale, the localization of the local enterprise service market requires more than just a simple domestic substitution, but digitalization upgrade + information innovation value substitution. The rapid development of China's digital technology, industry and business environment has enabled Chinese enterprises to move to the forefront of digitalization. At the same time, more Chinese enterprises are going global, and software and services created by Chinese enterprises are growing more competitive in the global market.

From the perspective of the development of the enterprise service industry, developing from informatization to digitalization and from ERP to BIP has become the mainstream development trend, and Yonyou has taken the lead in proposing the innovative concept of "BIP". BIP (Business Innovation Platform) is a comprehensive service platform that uses a new generation of digital and intelligent technologies to achieve business innovation, organization and management restructuring. From a social perspective, business innovation should become more concise, convenient, public and socialized, offering greater simplicity and convenience to achieve business innovation with more social resources. At present, the accelerated development of the industrial Internet and the developed regional industrial clusters require a super platform for social-level commerce. With decades of industrial development, the booming Chinese economy and its netizen ecosystem, Chinese enterprise software and the cloud service industry will enter into a new stage, becoming the global leader in innovative development.

III. Business the Company Was Engaged in during the Reporting Period

Yonyou has been focusing on and leading the enterprise software and enterprise service market for 34 years. The Company is a leading cloud service and software provider for enterprises and public organizations in China and around the world. The Company has been leading the enterprise software market in China for many years. In recent years, on the basis of leading the enterprise cloud service market, the strategic direction of the Company's new strategic development stage (3.0-II) is to build and operate a leading global enterprise cloud service platform, with a userbase of 10 million customers, 100,000 partners, and 100 million members (community users).

The Company integrates mobile Internet, cloud computing, big data, artificial intelligence (AI), Internet of Things, blockchain and other new-generation ICT technologies, follows the BIP

concept, and fully utilizes the combined advantages of technology and commerce. Through building and operating YonBIP which is positioned as a global leading business innovation platform and features digitalization, intelligence, global reach, socialization, ecosystem development, platform, high elasticity, security and credibility, the Company provides enterprises and public organizations with multidisciplinary and cross-industry enterprise cloud services such as finance, human resources, collaboration, marketing, procurement, supply chain, manufacturing, R&D, and platform services, enabling companies to conduct digital and intelligent business innovation (including business innovation and management reform) in a way that is simple, convenient, popular, and social.

The Company's cloud service model is to provide PaaS, SaaS, BaaS, DaaS and other services to enterprises customers and public organizations, and to deploy public cloud, private cloud or hybrid cloud technology architecture according to customer needs. Customers purchase public cloud products through a subscription-based payment model, and the Company's revenue includes subscription service revenue and pre-consultation and implementation revenue; customers purchase hybrid cloud and private cloud products through the subscription-based payment model or the licensing model. The Company will continue to accelerate the upgrade of the business revenue structure primarily based on the subscription-based payment model.

(I) Large Enterprise Service

The Company provides large enterprises with hybrid cloud solutions through Yonyou business innovation platforms YonBIP and NC Cloud. YonBIP provides application-level infrastructure for digital intelligent business and a co-innovation platform for the enterprise service industry, enabling enterprises to achieve digital intelligence and business innovation. YonBIP utilizes new technology architecture such as cloud native (including micro-services), metadata-driven, data middle platform and data separation. These technologies form the foundation of YonBIP's technology, business, data, and smart platforms, which serve a wide variety of fields, including finance, human resources, collaboration, procurement, marketing, supply chain, manufacturing, and R&D. This facilitates corporate and industrial innovation, including product and business innovation, organizational and management renovation, and promotes social and commercial progress.

NC Cloud upgraded its cloud-native and micro-service architecture based on the iUAP technology

platform, and was the most mature application service enabling large enterprises to achieve "steady-state operation management and strong and healthy enterprise core". NC Cloud and YonBIP cloud services in the sensitive field were fully integrated to form an integrated, digital and intelligent solution. NC Cloud supports the flexible deployment of public, private, and hybrid clouds. This has resulted in a hybrid cloud solution that works with YonBIP's digital marketing & new retail, digital factory & smart manufacturing, digital procurement & supply chain collaboration, intelligent taxation & electronic invoicing, performance & talent management, and social & collaboration to help large enterprises digitize, upgrade and innovate business.

The Company is oriented towards automotive, finance, tobacco, telecommunications and radio & TV among other vertical industry businesses, while its subsidiaries provide industry cloud service products and solutions.

The Company serves large enterprises through a combination of cloud and software, earning revenues mainly from product licensing, subscriptions, product support services, platform, business operations, data service, consulting implementation/customer development and other professional services.

(II) Medium-sized Enterprise Service

The Company provides growth companies with YonBIP-based YonSuite cloud service package. YonSuite is a full public cloud integrated enterprise cloud service completely based on cloud native architecture, oriented to digital/ intelligent applications of growth companies, covering the fields of "accounting, human resources, collaboration, marketing, procurement, supply chain, manufacturing, and project" to provide integrated solutions for digital and intelligent cloud services for innovative companies in the service, distribution, and manufacturing industries.

The Company's U9 Cloud products are oriented to medium and large manufacturing enterprises, providing functions including manufacturing, supply chain, project management, financial accounting, management accounting, and human resources, integrating services such as PLM, smart factory, AIoT, manufacturing cloud, marketing cloud, procurement cloud, financial cloud, tax cloud, and human resources cloud, and providing customers with standard products and solutions.

In addition, the Company continues to provide U8 Cloud ERP products and U8+ ERP suites to mid-sized companies, covering applications in fields such as intelligent manufacturing, marketing,

business control, supply chain, financial accounting, and human resources, providing customers with standard products and solutions, and adopting a full distribution sales model.

The Company serves medium companies, with revenues mainly from subscription, product licensing and product supporting services.

(III) Small-micro Enterprise Service

The Company provides cloud services to small-micro enterprises through its holding subsidiary Beijing Chanjet Payment Technology Company Limited ("Chanjet Payment"). Chanjet Payment focuses on the fields of small-micro digital intelligent fiscal tax services and digital intelligent commercial services, comprehensively open up the management of people, finance, goods, and customers of small-micro enterprises, and integrates applications such as finance, purchase, sale, and stock, customer income and expenditure, and collaborative office. Chanjet Payment's major cloud service products include Chanjet Good Accountant, Chanjet Good Business, Smart+, Chanjet Easy Accounting Agent, and T+Cloud.

The Company serves small-micro companies, mainly earning revenues through subscription, product licensing and product supporting services.

(IV) Service to Government and Other Public Organizations

The Company serves governments, public service entities and private non-profit organizations through its subsidiary, Beijing Yonyou Government Affairs Software Co., Ltd. ("Yonyou Gov."). Yonyou Gov. is committed to serving the modernization of the national governance system and governance capabilities, to enable the integration of fiscal and budget management, integration of financial and internal control of administrative authorities and public service entities, supervision of social security funds and medical insurance funds, network supervision of the People's Congress, government big data platforms, and the "Internet +" government service platform, government procurement cloud and other products and solutions. Yonyou Gov. also promotes digitization and intelligentization, with revenues mainly generated from product licensing, consulting implementation/customer development and other professional services, and subscriptions.

The Company serves schools and other educational institutions through its subsidiary, Seentao Technology Co., Ltd. ("Seentao Technology "). Seentao Technology is committed to serving China's education cause. Adhering to the concept of "cultivating digital and intelligent technology

talent and serving the upgrade of industry", Seentao Technology focuses on the training of digital and intelligent talent, and the professional fields of intelligent accounting, digital and intelligent marketing, digital and intelligent manpower, digital and intelligent management, finance technology, industrial Internet, and innovation and entrepreneurship, and has created four major products based on the underlying technology platform DTC: VBSE Cloud comprehensive practice, DBE Cloud digital and intelligent practice, B+Cloud basic practice, and S+Cloud cognitive practice, with revenues mainly generated through product licensing, consulting implementation/customer development and other professional services, and subscriptions.

IV. Core Competences during the Reporting Period

Applicable Not applicable

During the Reporting Period, the Company offered the following core competencies:

(I) Product Advantages

Yonyou's business innovation platform (BIP) adopts a philosophy of "making customer business innovation simple and convenient". YonBIP seeks to provide a "joint innovation platform for the enterprise service industry and application-level infrastructure for digital/ intelligent commerce" which is in line with the development of global enterprise application and service industry. YonBIP is not only a simple tool-based business operating system, but also an ecological service platform. YonBIP is a diversified service provider that integrates tools, capabilities and resources, enabling customers to innovate products and businesses. YonBIP facilitates organization and management renovations, and enables ecologic partners to jointly promote the enterprise service industry.

YonBIP applies mobile Internet, cloud computing, big data, artificial intelligence (AI), Internet of Things, blockchain and other new-generation ICT technologies, in the cloud native/micro-service, metadata-driven, data middle platform and data separation technology architecture. Based on social-level computing, YonBIP supports social commerce, breaks through enterprise boundaries, and achieves the Internetization, digitization and intelligent transformation of enterprises and industries through transactions, connections, sharing, and collaboration.

YonBIP covers large and medium-sized enterprises, and by breaking through technology and

brand new product design, YonBIP can achieve specific target customer packaging. YonSuite is a service set packaged by YonBIP for growth/medium-sized enterprises, sharing the same technology base and the same set of codes to support enterprise applications of different scales.

By building and operating a global leading enterprise cloud service platform YonBIP, the Company actively develops finance, human resources, collaboration, procurement, marketing, manufacturing, R&D, and other SaaS services, strongly expands BaaS services and DaaS services, supports and operates customers' business innovation and helps enterprises customers to achieve digitization and intelligent transformation.

YonBIP ecosystem is developing fast, using business innovation as the core to gathering IaaS strategic partners, ISV partners, innovative developers, channel distributors, consulting implementers, business service providers, data service providers and other digital product and service providers, so as to build a strong Yonyou cloud ecosystem of "symbiosis, co-creation, and co-prosperity". The Company collaborates closely with various business partners from product integration to marketing, and from sales collaboration to operational services.

(II) R&D Advantages

Since inception, the Company has been stressing independent R&D capabilities, securing R&D investment and developing a powerful R&D system. With many years of sustained development, the Company has formed a product and technology R&D system that spans from platform to field and covers key industries and ecology in the fields of corporate and public organization digitization and intelligent technology transformation. Apart from the Beijing HQ R&D Center, the Company has R&D bases in Shanghai, Xiamen and Chongqing, and has product innovation centers in Shenzhen, Hangzhou and Chengdu. The Company will continue enlarging R&D investment, focus on bringing in outstanding technology and product R&D experts for cloud service product innovation, and build a professional R&D team and system for building a global leading enterprise cloud service platform in the UF 3.0-II strategic stage.

The Company has the NDRC-approved an enterprise intelligent cloud development and application national-local joint engineering research center, and an enterprise cloud platform critical technology Beijing engineering laboratory, and is a member of 7 core localization organizations including China Electronics Industry Standardization Technology Association,

National Information Technology Service Standards Working Group, and 5G Application Industry Phalanx. The Company's Yonyou Cloud platform, Smart Industrial Internet platform and other products have received 6 national level authoritative product qualifications. The Company has also received more than 20 independent certifications for trustworthiness, mutual trust and product compatibility. The Company conforms to the CMMI5 global software certification, ISO27001 information security management system certification, ISO20000IT service management system certification, and has advanced software maturity and software project management capabilities.

(III) Brand and Market Advantages

As a leader in the Chinese enterprise cloud services and software industry, the Company has received wide acclaim from the market, customers and partners in many fields. According to Gartner, the Company is the only Asia-Pacific vendor of enterprise resource planning (ERP) software in the global TOP10, and is also the only Chinese vendor selected in the global cloud ERP market guide and comprehensive human resources service market guide. Additionally, according to IDC and CCID Consulting, the Company continues leading the Chinese enterprise cloud service market, has the largest market share in the Chinese application platform as a service (APaaS) market and the Chinese software as a service (SaaS) market, and is a leading independent innovator of digitization, intelligent transformation services and software localization for Chinese enterprises.

The Company has deepened cooperation with the China Academy of Information and Communications Technology to jointly advance the development of the industrial Internet industry. The secondary node of Yonyou logo analysis has officially started operation. Additionally, in 2019, 2020 and 2021, Yonyou Smart Industrial Internet (用友精智工业互联网) platform was consecutively listed on the MIIT list of cross-industry cross-field industrial Internet as one of the first national-level cross-industry industrial Internet platforms.

The Company actively promotes the construction of industrial ecology, and has become a member enterprise of the Information Technology Application Innovation Working Committee of China Electronics Industry Standardization Technology Association, and a leading enterprise of WG22ERP and Financial Software Working Team. The Company proactively initiated the establishment of an Ecological Alliance Professional Committee (融合生态联盟专业委员会),

Enterprise Digital Autonomous and Controllable Service Alliance (企业数字化自主可控服务联盟), Independent Innovation and Security Technical Committee of China Electronic Chamber of Commerce, Alliance of Enterprise Digitalization Service Leading Companies, Zero Trust Alliance (零信任联盟), Local State-owned Enterprise Digitalization Collaborative Innovation Alliance (地方国企数字化协同创新联盟), and Haiguang Industrial Ecological Cooperation Organization (海光产业生态合作组织), and in September 2021, established the Yonyou-CEC Joint Innovation Center (中电用友联合创新中心). The Company received numerous honors in the field of information innovation, including being named a 2021 China Information Innovation Cloud ERP Champion, 2021 China Information Innovation PaaS Platform Champion, 2020-2021 New Generation Information Technology Leading Enterprise, 2021 Annual Industrial Ecological Innovation Pioneer Enterprise, and 2021 Chinese Enterprise SaaS Service Provider Champion.

In addition, the Company has undertaken the research work of the national major special project of core electronic devices, high-end generic chips and basic software - "Application Research and Demonstration Project of Transaction Processing Based on Safe and Reliable Basic Software and Hardware", and adapted to CEC, CETC and Huawei in all fields. The Company achieved full-stack adaptation with many mainstream domestic manufacturers including Sangfor, QI-ANXIN, Alibaba Cloud, iSOFT Infrastructure Software, DM Database, KING BASE, HIGH GO, and other photosynthetic organization member units.

(IV) Marketing Service Network Advantages

The Company has sound marketing service networks, of which the mid-and high-end customer business marketing service network is distributed nationwide, with more than 100 branches. The Company conducts customer marketing, sales, service, customer success and other business, offering localized and customized services to large and medium enterprises in China in a timely and convenient manner. The overseas customer business division of the Company sets up marketing service agencies in many countries or regions in Southeast Asia, to expand overseas high and mid-end customer markets. The Company's small and micro enterprises business has channel partners across China. The cloud service business develops new professional service partners, and gradually establishes a diversified channel system that is compatible with cloud service business. The Company's industrial business has a mature marketing network and service

ecologic chain for automobile, financial, tobacco, telecommunications and radio & TV, fiscal, education and other industries. The Company integrates internal marketing service organizations and resources, and has established a strategic customer business division to enhance operations with large enterprises customers. The Company also speeds up internal organizational fission, upgrades the customer operating system, and continues to add institutions to increase marketing coverage. The Company intensively develops regional customers, and establishes ABU-exclusive business organizations according to industries and designated customers to deepen customer relations and specialize in industries. The Company's customer success system provides customers with high-quality cloud-based operation services, and promotes automation and intelligence of services by using new technologies to provide customers with high-quality services.

(V) Customer Base Advantages

The Company has been focusing on offering corporate services for 34 years, and has formed a huge customer base of giant and large companies, mid-sized enterprises and small-micro companies, as well as governments and other public organizations.

Through many years of deeply-rooted operation for enterprises customers, especially for large companies, the Company has accumulated experience in continuously serving a large customer base, established a prominent team for large company product design and solution R&D, delivery and customer success, and has a rich variety of experience and expertise. This experience and expertise provide a solid foundation and leading advantage for the Company in the face of enterprise service market localization and other historical opportunities, which have helped the Company to occupy the customer market. At the same time, by serving large enterprises, the Company enhances the brand identity, product technology and team capabilities, as well as customer base, which help prepare the Company to enter China's giant enterprises' service market, cooperate with more giant Chinese enterprises, and advance with these giants through the Company's R&D advantages and service capabilities.

For the medium-sized enterprise market, the Company provided financial software and management software in Yonyou stage 1.0 and stage 2.0, accumulating a great number of customers and forming a solid customer base. At present, the Company continues taking

advantage of the product portfolio between YonSuite with leading technology and architecture and U9C and U8C with mature applications to once again take the lead in the mid-end market.

For the small-micro enterprise market, Chanjet, the Company's subsidiary, is providing digital fiscal and digital commercial cloud services exclusively for small and micro enterprises, ranking first in China based on market coverage in the small and micro enterprises accounting cloud service field. With 16 years of accumulation, Chanjet enables small and micro enterprises customers to enjoy a longer life cycle than the industry average. These services are offered to a wide range of industries, including clothing, wholesale & retail, manufacturing, building and other fields, and offer powerful anti-cyclicalities.

For the upcoming stages, the Company will build and operate the world's leading enterprise cloud service platform, serve tens of millions of enterprises customers, and aggregate 100,000 ecological partners and billions of community users to offer unique value for business innovation in China and globally.