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**KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY
LIMITED**

金蝶國際軟件集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 268)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “Board”) of directors (the “Directors”) of Kingdee International Software Group Company Limited (“Kingdee International” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022, together with the comparative audited consolidated figures for the year ended 31 December 2021 are as follows:

Financial highlights for the year ended 31 December 2022

- Revenue increased by approximately 16.6% compared with 2021 to approximately RMB4,865,769,000 (2021: revenue of approximately RMB4,174,147,000), of which the cloud services business revenue increased by 34.6% compared with 2021, and its revenue contribution increased from 66.1% in 2021 to 76.3% in 2022.
- Loss attributable to owners of the Company amounted to approximately RMB389,158,000 (2021: loss of approximately RMB302,330,000).
- Net cash generated from operating activities amounted to approximately RMB374,437,000 (2021: approximately RMB660,563,000).
- Basic losses per share attributable to owners of the Company during the year amounted to approximately RMB11.31 cents (2021: basic losses per share of RMB9.23 cents).

BUSINESS REVIEW AND OUTLOOK

1. Financial Results

In 2022, the Group continued to push forward the cloud subscription transition, and realized 34.6% year-on-year (yoy) growth in cloud services revenue which contributed approximately 76.3% of the Group revenue. Annual Recurring Revenue (ARR) of Kingdee Cloud subscription service reached approximately RMB2.14 billion, an increase of 36.3% yoy. Contract liabilities related to cloud subscription achieved growth of 38.3% yoy.

For the year ended 31 December 2022, the Group recorded total revenue of approximately RMB4,865,769,000, representing an increase of approximately 16.6% as compared to the same period in 2021 (2021: RMB4,174,147,000). Revenue from the ERP and other businesses decreased 18.7% yoy.

For the year ended 31 December 2022, loss attributable to owners of the Company was approximately RMB389,158,000 (2021: a loss of approximately RMB302,330,000 attributable to owners of the Company). The loss expansion was mainly due to the continued investment in the R&D of cloud products particularly Kingdee Cloud Constellation and HR SaaS, as well as disruptions on part of marketing and implementation activities due to the continued COVID-19 pandemic.

Basic losses per share attributable to owners of the Company amounted to approximately RMB11.31 cents. (2021: basic loss per share of approximately RMB9.23 cents).

Net cash flow from operating activities of the Company was approximately RMB374,437,000 (2021: net cash flow of approximately RMB660,563,000).

2. Strategy Review

Kingdee unwaveringly implements the “Platform + Finance & HR & Tax + Ecosystem” strategy, commits to “wholeheartedly serve enterprises and enlighten every enterprise” as a core mission and “the most trustworthy enterprise service platform” as a key target. Kingdee pursues to build the Enterprise Business Capability (hereinafter referred to as "EBC") and packageable business capabilities for all enterprises.

The Group's key strategic initiatives include:

(1). Platform: Kingdee Cloud Cosmic PaaS platform is built on the cloud-native architecture and core technology of Kingdee Dynamic Domain Model (KDDM). Cosmic has been constantly strengthened on low-code development, system integration, data analytics, main data management, process management and RPA (Robotic Process Automation). With its integrated low-code packageable platform, Cosmic is poised to lay the technology foundation for enterprise business capabilities, releasing development capabilities and fast-response capabilities in ever-changing market demand.

(2). Finance & HR & Tax + Ecosystem: Kingdee adopts to the “One Rocket, Multiple Satellites” product strategy. Based on Kingdee Cloud Cosmic platform, Kingdee has been building leading edge and constantly upgrading SaaS applications and solutions. Kingdee also targets to build an ecosystem in accordance to mutual respect, mutual interest and mutual development. In addition, Kingdee aims to resolve issues in a new era of enterprise management, jointly with various partners in consulting, product ISV, implementation and development, channel and services.

(3). Implementation: Kingdee carries forward the cloud subscription service transition, with focusing on products and reforming implementation business and partnership in the age of cloud. Kingdee targets to combine partner direct implementation as well as remote implementation, and introduces strategic implementation partners, in order to deliver highly efficient and high-quality digitalized implementation services.

(4). Customer Success: Kingdee constantly implement “wholeheartedly serve enterprises” as a core mission. Based on Kingdee customer success methodologies, Kingdee offers a new-generation of customer lifecycle experience improvement, and enable customers and their staff to “success, grow, accomplish”.

3. Group Business Review

As a global leading and China's No.1 enterprise management cloud SaaS company, Kingdee has constantly achieved major breakthroughs in cloud service field in thirty years of development. Kingdee has been well recognized by renowned domestic and foreign research institutions, including: 1) the only Chinese vendor ranked as global top 10 in Gartner's High Productivity aPaaS platform for two consecutive years and No.1 in China; 2) the No.1 in IDC 2022 H1 SaaS ERM (Enterprise Resource Management Cloud) China market, Finance Cloud and EPM (Enterprise Performance Management Cloud) market; 3) the only SaaS service vendor recognized as a leader in both industry empowerment value and technology service capability in the CAICT's "Double Curve and Double Quadrant for Enterprise Digital Transformation Development (2022 Edition)"; 4) the only SaaS management cloud vendor ranked as the market leader of digital factory solutions in China by IDC MarketScape; 5) the No.1 vendor in market share of China growth enterprise application software for eighteen consecutive years, according to IDC.

Cloud service business

During the Reporting Period, Kingdee pushed forward to deepen the cloud subscription transition, and established "One Rocket, Multiple Satellites" product matrix for different market segments. Cloud services business maintained rapid growth, with revenue increased to RMB3,714,093,000 from RMB2,758,422,000 for the same period in 2021, representing an increase of approximately 34.6% yoy and accounting for approximately 76.3% of the revenue.

(1) Continued breaking through in SOE and Top-500 enterprise market, winning the high-end market

With five years of building and refining, Kingdee Cloud Cosmic and Constellation's domestic substitution solutions have become increasingly mature, being capable of supporting all-around substitutions as well as a new choice of major Top 500 enterprises. Based on enterprise-grade cloud native architecture, packageable design and Kingdee's proprietary dynamic domain models (KDDM), Kingdee Cloud Cosmic could enable enterprises rapidly building up digital technology capabilities that contained steady performance, highly reliable and reliance, fast reacting and self-control. Kingdee Cloud Cosmic always unswervingly developing with self-built innovation, being adaptable to major Xinchuang systems including CEC, CETC and Huawei, as well as major Xinchuang vendors including China Telecom Tianyi Cloud, Huawei Cloud, Ali Cloud, Tencent Cloud, Unicom Cloud, Phytium, Kunpeng, KylinOS, UnionTech, Dameng and Kingbase. In addition, Cosmic has launched intelligent technology application on super automation (RPA), operation forecast and smart analytics scenarios. Cosmic also introduced digital employee based on deep fusion of RPA, AI and Big Data technologies. Kingdee has applied over 260 patents cumulatively and won five nation-level awards. Kingdee also joined the first batch of packageable application promotion center organized by CAICT.

During the reporting period, Kingdee Cloud Constellation continued to expand its product coverage and offerings. Constellation HR Cloud released its Core HR module, offering intelligent, global and packageable applications for China's large and mega-size enterprises, pushing forward HR digitalization in China. Based on the experiences and best practices of central SOEs including China Merchants Group, China Information Communication Technologies Group, TravelSky Technology as well as Fortune 500 companies like ITG Holdings and Sha Steel Group, Constellation Financial Cloud released major product of Treasury Management with a series of new features and functions, which covered all aspects of Treasury Management as requested by SASAC. This module can achieve visible, well-controlled, transferable and efficient treasury management. Constellation EPM has been successfully implemented in major Top 500 enterprises like Zhejiang Communications Investment Group, and received the first batch of certifications on standard financial consolidation reporting and EPM business finance integration according to CAICT.

During the period, Kingdee Cloud Cosmic and Kingdee Cloud Constellation recorded approximately RMB696 million in revenue, an increase of 80.9% yoy. Dollar retention also exceeded 110%. Cosmic and Constellation together signed 902 customers during the period, including 478 new customers and major template customers including Shandong Heavy Industry, Shanxi State-owned Capital Operation, Tongwei, China Genertec, Nonfemet, China Minmetals Nonferrous Metals, Hunan Nonferrous Metals, Shaanxi Automobile and Geely Holding. Kingdee continuously built best practices around SOE domestic substitution, world-class enterprise management and digital-governance upgrade. Kingdee has cumulatively supported 154 major large enterprises to complete domestic substitution.

(2) Strengthened the leading edge of R&D-production-supply chain-sales integrated solution, solidifying competitive strength in the medium-size enterprise market

Kingdee Cloud Galaxy continued to expand the leading edge of cloud services in all fields of finance, research and development, supply chain, production and sales. Galaxy was strengthened in product innovation and customer best practice in different industry verticals such as high-tech, manufacturing, life sciences, food, wholesale and retail, and catering, further enhanced its competitiveness in the medium-size enterprise market. During the reporting period, Kingdee Cloud Galaxy extracted and released eight profit-making finance and tax solutions. Galaxy launched intelligent manufacturing total solution and manufacturing operation management (MOM) innovative solutions, which have been applied to multiple major customers. Galaxy was selected into the leader quadrant of IDC's China digital factory service providers. Galaxy's intelligent data service introduced business target analytical platform prebuilt with over 20 analytical models and 70 target analytics, enabling precise business forecast, risk management and insight analysis. Furthermore, Kingdee Cloud Galaxy Ultra was launched during the reporting period offering four major packageable capabilities, to satisfy multiple perspective of growth demand such as application, technology, data and ecosystem for leading enterprises.

During the Reporting Period, Kingdee Cloud Galaxy achieved revenue of approximately RMB1,679 million, an increase of 18.4% yoy. The ARR of Galaxy cloud subscription service expanded by 31.2% yoy. Dollar retention ratio was 97.2%. Galaxy's customer base reached 31,000. During the period, Kingdee Cloud Galaxy signed nearly one thousand enterprises that use special and sophisticated technologies on national and provincial level. Newly signed customers include Dong Fang Zhen Xuan, Zhoushan Boeing, Zhengzhou Kaixue Cold Chain, Changfeng Kewei Photo-Electronic, Zhejiang Yongjin Metal, Rayhoo Motor Dies, Yamaxi Electronics, Hangzhou Foresee Group, Aotecar New Energy, etc.

(3) Built new SaaS ecosystem around small and micro enterprises, seizing the market of business-finance-tax integration

Kingdee Cloud Stellar focused on the integration of business, finance and tax and widely connected with ecosystem partners, to build an open, diverse and mutual win ecosystem for SME enterprises. The goal was to provide risk resistance, management system and resource allocation capabilities for SMEs. Kingdee Cloud Stellar was deeply integrated with enterprise WeCom and Dingtalk in mobile office collaboration, and interconnected with eight banks, including China Merchants Bank; Kingdee provided solutions in 15 business areas, including customer relationship, e-commerce management and project management, and jointly launched special solutions for eight industries, including food, apparel and medicine, with ecological partners. Through continuous product innovations and SaaS ecological breakthroughs, Kingdee further increased its market share in the SME cloud service market.

During the period, the SME financial cloud services revenue rapidly grew by approximately 63.1% yoy. Kingdee Cloud Stellar's revenue increased by approximately 358.6% yoy and the dollar retention ratio was 77.3%.

(4) Deepened collaborations with strategic partners, expediting the expansion of Kingdee ecosystem

During the period, Kingdee continued to develop its ecosystem, by reaching strategic cooperation with ten major partners, including Deloitte, Ernst & Young, Golden, ShineWing, Hand Enterprise, and JGDT, as well as further developing the partnership with KPMG, iSoftStone, and ChinaSoft for the large enterprise market. In addition, Kingdee strengthened the synergy with major technology companies such as Huawei, Alibaba, Tencent, Intel, and Amazon AWS, co-building multiple industry vertical solutions. Kingdee also established strategic partnerships with Huawei Kunpeng, CEC PKS, CETC WE ecosystems. Kingdee Cloud Cosmic platform has achieved fully adaptive to Xinchuang and self-controlled innovative technologies, including operating system, database, middleware and application development. Thanks to Kingdee Cloud Cosmic's outstanding performance in Xinchuang and ecosystem initiatives, Kingdee was awarded the "2022 China Xinchuang Ecosystem Leader Award".

As of the Reporting Period, more than 1,500 ISV partners have joined Kingdee ecosystem, among which 120 ISV partners have built product solutions based on the Kingdee Cloud Cosmic platform,

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covering 13 major industries including intelligent manufacturing, transportation and logistics, wholesale and retail, finance, life science, construction and real estate, public services, education, modern agriculture and livestock, and government and public utilities, which connects the business chain of “R&D- production - supply chain- sales - services” of enterprises.

(5) Concentrated on leading edge industry verticals, empowering high-quality digitalized development

During the Reporting Period, Kingdee continued to focus on its leading edge industry vertical, to empower high-quality digitalized development across verticals. In the metallurgical industry, Kingdee signed contracts with new and existing customers such as Jingye Iron and Steel, China Minmetals Nonferrous Metals and Yongjin Metal, and provided integrated solutions and services to enterprises in the metallurgical industry together with partners such as Deloitte. In the construction and real estate industry, Kingdee jointly with Das Intellitech and Wisdom Builds More built a new benchmark for the digitalization of new infrastructure, and reached industry collaboration agreement with several major players, including Poly Property, Xinxing Asset and Binjiang Investment Development Group. In the property management industry, Wojia Cloud covered 280 cities nationwide and signed contracts with customers such as CIGI, China Merchants Property Management Daojiahui and Yuexiu Services. Kingdee Apusic continued to strengthen its core competence and actively participated in the formulation of national technical standards. Kingdee Apusic took a leading role in compiling and publishing two national standards for cloud computing technology, namely “Cloud Native Middleware Maturity Model” and “Technical Requirements for Cloud Computing and Cloud Development in Information Technology”. Kingdee Apusic was also selected into the fourth batch of national “little giants” that use special and sophisticated technologies. Kingdee Credit Technology’s “Jingwei Cloud” enterprise credit cloud service platform was upgraded and launched to provide more intelligent risk control and digital loan risk control cloud services to partner banks.

(6) Pushed forward customer lifecycle experience improvement through “Xu Shaochun WeChat Public Account”

Pioneering with the Xu Shaochun WeChat Public Account in enterprise service industry, Kingdee established the culture of “wholeheartedly serving enterprise customers”, throughout the entire customer lifecycle. In 2022, Xu Shaochun WeChat Public Account received over 460 letters of commendation and service complaints down by 66% yoy, and continued to optimize the service procedures. This improvement enabled R&D team receiving direct feedbacks from customers, further pushing forward product enhancement. Meanwhile, Kingdee customer success has efficiently supported nationwide business branches and offices to establish own customer success organization, with standard, systematic and digital tools. Kingdee carried forward innovation and reform in customer success services, which has significantly improved service response efficiency and customer satisfaction rate. Kingdee also made effort to position Kingdee Cloud community as online service platform, enabling users self- or mutually solve issues. Going forward, Kingdee would continue to improve customer success system for every customer engagement and customer lifecycle experience.

ERP Business and others

During the Reporting Period, revenue from the ERP business and others decreased approximately 18.7% yoy, from RMB1,415,725,000 in the same period last year to approximately RMB1,151,676,000.

Investment Property Business

As at 31 December 2022, the Group had investment properties amounting to approximately RMB1,734,079,000 in total (31 December 2021: RMB1,538,286,000). During the Reporting Period, the Group fully used and leased parts of software parks of Beijing Kingdee Software Park, Shanghai Kingdee Software Park and Shenzhen Kingdee Software Park. As a result, the Group generated rental income of approximately RMB70,187,000 during the current period (31 December 2021: RMB72,016,000). The decrease in rental income was due to the increase in the self-use area of the properties.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	4	1,376,694	1,044,880
Right-of-use assets	5	156,165	208,274
Intangible assets		1,192,375	1,037,366
Investment properties	6	1,734,079	1,538,286
Investments in associates		421,593	393,003
Deferred income tax assets		38,826	34,627
Financial assets at fair value through profit or loss		931,164	957,883
Financial assets at fair value through other comprehensive income		4,463	-
Trade and other receivables	7	104,051	53,156
Loans to third parties	7	63,081	23,470
Long-term bank deposits		1,725,000	1,325,000
		<u>7,747,491</u>	<u>6,615,945</u>
Current assets			
Inventories		44,871	30,418
Trade and other receivables	7	293,030	391,966
Loans to third parties	7	268,274	305,383
Contract assets	3	346,542	322,974
Contract obtaining costs	3	393,871	248,263
Financial assets at fair value through profit or loss		66,255	747,665
Derivative financial instruments		-	2,145
Pledged bank deposits		2,809	5,558
Short-term bank deposits		625,559	370,000
Cash and cash equivalents		1,942,735	2,046,815
		<u>3,983,946</u>	<u>4,471,187</u>
Total assets		<u>11,731,437</u>	<u>11,087,132</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Bank borrowings	10	385,000	-
Lease liabilities	5	39,246	54,223
Deferred income tax liabilities		133,925	146,087
		<u>558,171</u>	<u>200,310</u>
Current liabilities			
Trade and other payables	11	899,496	759,248
Contract liabilities	3	2,631,035	2,164,713
Bank borrowings	10	85,000	-
Lease liabilities	5	24,648	25,563
Current income tax liabilities		19,004	17,979
Deferred income		106,500	116,180
		<u>3,765,683</u>	<u>3,083,683</u>
Total liabilities		<u>4,323,854</u>	<u>3,283,993</u>
Net assets		<u>7,407,583</u>	<u>7,803,139</u>
Equity			
Equity attributable to owners of the Company			
Share capital	8	83,537	83,484
Share premium	8	5,084,953	5,149,350
Other reserves	9	866,567	744,204
Retained earnings		1,230,296	1,619,454
		<u>7,265,353</u>	<u>7,596,492</u>
Non-controlling interests		<u>142,230</u>	<u>206,647</u>
Total equity		<u>7,407,583</u>	<u>7,803,139</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	3,12	4,865,769	4,174,147
Cost of sales	13	(1,868,136)	(1,540,575)
Gross profit		<u>2,997,633</u>	<u>2,633,572</u>
Selling and marketing expenses	13	(2,026,584)	(1,741,354)
Administrative expenses	13	(503,857)	(465,726)
Net impairment losses on financial assets and contract assets	13	(92,461)	(78,738)
Research and development costs	13	(1,295,476)	(1,184,544)
Fair value (losses)/gains on investment properties	6	(15,587)	4,059
Other income and gains - net	14	348,988	365,831
Operating loss		<u>(587,344)</u>	<u>(466,900)</u>
Finance income		107,937	81,530
Finance costs		(7,661)	(5,094)
Finance income - net	15	100,276	76,436
Share of profits of associates		12,850	8,319
Loss before income tax		<u>(474,218)</u>	<u>(382,145)</u>
Income tax credit	16	21,814	43,790
Loss for the year		<u>(452,404)</u>	<u>(338,355)</u>
Loss attributable to:			
Owners of the Company		(389,158)	(302,330)
Non-controlling interests		(63,246)	(36,025)
		<u>(452,404)</u>	<u>(338,355)</u>
Losses per share for loss attributable to owners of the Company (expressed in RMB cents per share)			
- Basic	18	<u>(11.31)</u>	<u>(9.23)</u>
- Diluted	18	<u>(11.31)</u>	<u>(9.23)</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Loss for the year	(452,404)	(338,355)
Other comprehensive income:		
<i>Items that may be reclassified to income or loss:</i>		
Currency translation differences	(8,242)	1,676
Revaluation gains on properties upon transfer from property, plant and equipment and right-of-use assets to investment properties, net of tax	94,105	-
Other comprehensive income for the year, net of tax	85,863	1,676
Total comprehensive loss for the year	(366,541)	(336,679)
Total comprehensive loss attributable to:		
Owners of the Company	(303,295)	(300,654)
Non-controlling interests	(63,246)	(36,025)
	(366,541)	(336,679)

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings			
		RMB'000	RMB'000	RMB'000	RMB'000			
Balance at 1 January 2021		83,331	5,052,514	732,002	1,921,784	7,789,631	168,846	7,958,477
Loss for the year		-	-	-	(302,330)	(302,330)	(36,025)	(338,355)
Other comprehensive income					-	-	-	-
Currency translation differences	9	-	-	1,676	-	1,676	-	1,676
Total comprehensive loss		-	-	1,676	(302,330)	(300,654)	(36,025)	(336,679)
Transactions with owners								
Employees share option scheme:								
- Proceeds from shares issued	8	153	15,046	-	-	15,199	-	15,199
Share award plan:								
- Value of employee services received	8	-	107,413	-	-	107,413	-	107,413
- Transfer shares to the awardees upon vesting	8	-	(25,623)	20,802	-	(4,821)	-	(4,821)
- Buy-back of shares for the purpose of share award plan	9	-	-	(35,820)	-	(35,820)	-	(35,820)
Transactions with non-controlling interests		-	-	25,544	-	25,544	4,456	30,000
Non-controlling interests arising on business combination		-	-	-	-	-	69,370	69,370
Total transactions with owners, recognised directly in equity		153	96,836	10,526	-	107,515	73,826	181,341
Balance at 31 December 2021		83,484	5,149,350	744,204	1,619,454	7,596,492	206,647	7,803,139

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Notes	<u>Attributable to owners of the Company</u>					Non- controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2022		83,484	5,149,350	744,204	1,619,454	7,596,492	206,647	7,803,139
Loss for the year		-	-		(389,158)	(389,158)	(63,246)	(452,404)
Other comprehensive income								
Currency translation differences	9	-	-	(8,242)	-	(8,242)	-	(8,242)
Revaluation gains on properties upon transfer from property, plant and equipment and right-of-use assets to investment properties, net of tax		-	-	94,105	-	94,105	-	94,105
Total comprehensive loss		-	-	85,863	(389,158)	(303,295)	(63,246)	(366,541)
Transactions with owners								
Employees share option scheme:								
- Proceeds from shares issued	8	182	24,478	-	-	24,660	-	24,660
Share award plan:						-	-	-
- Value of employee services received	8	-	115,140	-	-	115,140	-	115,140
- Transfer shares to the awardees upon vesting	8	-	(117,840)	117,840	-	-	-	-
- Buy-back of shares for the purpose of share award plan	9	-	-	(81,340)	-	(81,340)	-	(81,340)
Buy-back of shares for the purpose of cancellation	9	-	-	(86,304)	-	(86,304)	-	(86,304)
Cancellation of shares	8	(129)	(86,175)	86,304	-	-	-	-
Disposal of a subsidiary		-	-	-	-	-	(4,271)	(4,271)
Capital injection from non-controlling interests		-	-	-	-	-	3,100	3,100
Total transactions with owners, recognised directly in equity		53	(64,397)	36,500	-	(27,844)	(1,171)	(29,015)
Balance at 31 December 2022		<u>83,537</u>	<u>5,084,953</u>	<u>866,567</u>	<u>1,230,296</u>	<u>7,265,353</u>	<u>142,230</u>	<u>7,407,583</u>

KINGDEE INTERNATIONAL SOFTWARE GROUP COMPANY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations excluding net cash inflow in loans to third parties from the micro-credit business		337,839	642,456
Net cash inflow in loans to third parties from the micro-credit business		44,019	31,334
Interest paid		(3,443)	(5,998)
Income tax paid		(3,978)	(7,229)
Net cash inflow from operating activities		374,437	660,563
Cash flows from investing activities			
Purchases of property, plant and equipment		(399,420)	(322,853)
Proceeds from disposals of property, plant and equipment and right-of-use assets		29,080	1,424
Purchases of intangible assets		(488,293)	(449,043)
Acquisition of subsidiaries, net of cash acquired		-	(50,304)
Pledged bank deposits and short-term and long-term bank deposits placed - net		(652,810)	(407,209)
Interest received		58,441	47,570
Purchases of financial assets at fair value through profit or loss		(139,010)	(1,550,303)
Proceeds from disposal of financial assets at fair value through profit or loss		829,459	1,510,976
Purchases of financial assets at fair value through other comprehensive income		(4,463)	-
Loans provided to related parties		-	(200,000)
Repayments of loans from related parties		-	200,000
Proceeds from disposal of associates		19,282	15,000
Disposal of a subsidiary, net of cash disposed		(21,961)	-
Investments in associates		(17,336)	-
Net cash outflow from investing activities		(787,031)	(1,204,742)
Cash flows from financing activities			
Proceeds from issue of shares as a result of exercise of options	8	24,660	15,199
Capital injection from non-controlling interests		3,100	30,000
Proceeds from borrowings		503,000	-
Repayments of borrowings		(30,200)	(120,000)
Principal elements of lease payments		(32,391)	(33,220)
Payments for buy-back of shares		(167,644)	(35,820)
Net cash inflow/(outflow) from financing activities		300,525	(143,841)
Net decrease in cash and cash equivalents		(112,069)	(688,020)
Effects of exchange rate changes on cash and cash equivalents		7,989	(18,796)
Cash and cash equivalents at beginning of the year		2,046,815	2,753,631
Cash and cash equivalents at end of year		1,942,735	2,046,815

1 General information

Kingdee International Software Group Company Limited (the “Company”) was incorporated in the Cayman Islands in 1999 as an exempted company with limited liability. The address of its place of business is Kingdee Software Park, 2 Keji 12th Road South, Hi-tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China (the “PRC”).

The Company is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in the cloud services, including enterprise cloud services, small & micro business finance cloud services and industry cloud services; and enterprise resource planning (“ERP”) business, including development and sales of software products, sales of hardware products, provision of implementation, software solution consulting, maintenance, upgrade software and other supporting services.

The Company has its primary listing on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 February 2001.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. The consolidated financial statements for the year ended 31 December 2022 have been approved for issue by the Board of Directors of the Company on 15 March 2023.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and other comprehensive income (“OCI”) and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

2 Basis of preparation(continued)

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to International Accounting Standards(“IAS”) 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16	Leases on sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures	To be determined

3 Segment information

The chief operating decision-maker (the “CODM”) has been identified as executive directors of the Company. The executive directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

- Cloud services business – Including enterprise cloud services, small & micro business finance cloud services and industry cloud services.
- ERP business and others – Including sales of software and hardware products, provision of software implementation, software solution consulting, maintenance, upgrade and other supporting services, and others
- Investment properties operating business – Operation of investment properties

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

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3 Segment information (continued)

The segment information for the year ended 31 December 2022 is as follows:

	Cloud services business	ERP business and others	Investment properties operating business	The Group total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (from external customers)	3,714,093	1,151,676	-	4,865,769
- Products transferred at a point in time	-	286,260	-	286,260
- Services transferred over time	3,714,093	865,416	-	4,579,509
Operating (loss)/profit	(561,062)	(80,882)	54,600	(587,344)
Finance income	80,046	27,891	-	107,937
Finance costs	(5,399)	(2,262)	-	(7,661)
Finance income – net	74,647	25,629	-	100,276
Share of profits of associates	-	12,850	-	12,850
(Loss)/profit before income tax	(486,415)	(42,403)	54,600	(474,218)
Income tax credit/(expense)	28,401	(1,127)	(5,460)	21,814
Segment results	<u>(458,014)</u>	<u>(43,530)</u>	<u>49,140</u>	<u>(452,404)</u>
Depreciation and amortisation	336,012	77,725	-	413,737
Net impairment losses on financial assets and contract assets	3,083	89,378	-	92,461
Fair value losses on investment properties	-	-	(15,587)	(15,587)
Share-based payments	96,019	19,121	-	115,140

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3 Segment information (continued)

The segment information for the year ended 31 December 2021 is as follows:

	Cloud services business	ERP business and others	Investment properties operating business	The Group total
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (from external customers)	2,758,422	1,415,725	-	4,174,147
- Products transferred at a point in time	-	472,212	-	472,212
- Services transferred over time	2,758,422	943,513	-	3,701,935
Operating (loss)/profit	(695,099)	152,124	76,075	(466,900)
Finance income	52,191	29,339	-	81,530
Finance costs	(3,264)	(1,830)	-	(5,094)
Finance income – net	48,927	27,509	-	76,436
Share of profits of associates	-	8,319	-	8,319
(Loss)/profit before income tax	(646,172)	187,952	76,075	(382,145)
Income tax credit/(expense)	91,746	(40,349)	(7,607)	43,790
Segment results	<u>(554,426)</u>	<u>147,603</u>	<u>68,468</u>	<u>(338,355)</u>
Depreciation and amortisation	352,632	85,936	-	438,568
Net impairment losses on financial assets and contract assets	2,468	76,270	-	78,738
Fair value gains on investment properties	-	-	4,059	4,059
Share-based payments	82,918	24,495	-	107,413

3 Segment information (continued)

The Company is incorporated in the Cayman Islands while the Group mainly operates its business in the PRC. Revenue from external customers from the PRC and other locations is RMB4,828,350,000 (2021: RMB4,145,077,000) and RMB37,419,000 (2021: RMB29,070,000), respectively, for the year ended 31 December 2022.

There was no single customer that contributed to over 10% of the Group's revenue for the years ended 31 December 2022 and 2021.

(a) Assets and liabilities related to contracts with customers

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Current contract assets relating to ERP and cloud implementation contracts	431,131	380,384
Loss allowance	(84,589)	(57,410)
Total	346,542	322,974
 Contract obtaining costs (i)	 393,871	 248,263
Contract liabilities – Cloud services business	2,239,473	1,713,355
Contract liabilities – ERP business and others	391,562	451,358
Total	2,631,035	2,164,713

(i) Contract obtaining costs

Management expects the incremental costs, primarily sale commissions paid/payable, as a result of obtaining the cloud services contracts are recoverable. The Group capitalised these incremental costs and amortised them in “Sales promotion” expenses when the related revenue is recognised. There was no impairment loss in relation to the costs capitalised.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cloud services business	1,320,693	770,420
ERP business and others	451,358	487,107
	1,772,051	1,257,527

3 Segment information (continued)

(a) Assets and liabilities related to contracts with customers (continued)

(iii) Unsatisfied long-term cloud services contracts

The following table shows unsatisfied performance obligations resulting from long-term fixed-price cloud services contracts.

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term cloud services contracts that are partially or fully unsatisfied as at 31 December	<u>922,400</u>	<u>717,180</u>

Management expects that approximately 49.52% of the transaction price allocated to the unsatisfied contracts as of 31 December 2022 will be recognised as revenue during the next reporting period (RMB456,786,000). The remaining approximately 50.48% (RMB 465,614,000) will be recognised in and after the 2023 financial year.

All other cloud services and ERP business contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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4 Property, plant and equipment

	Buildings	Computer and related equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in process	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021							
Opening net book amount	547,210	65,229	9,143	7,802	14,969	101,795	746,148
Transfer from investment properties	109,643	-	-	-	-	-	109,643
Acquisition of subsidiaries	-	328	-	-	-	-	328
Other additions	3,390	34,758	4,886	5,145	775	197,998	246,952
Disposals	(69)	(6,875)	(481)	(772)	-	-	(8,197)
Depreciation charge	(18,118)	(22,467)	(3,081)	(2,686)	(3,642)	-	(49,994)
Closing net book amount	642,056	70,973	10,467	9,489	12,102	299,793	1,044,880
At 31 December 2021							
Cost	807,268	147,478	30,744	31,369	69,924	299,793	1,386,576
Accumulated depreciation	(165,212)	(76,505)	(20,277)	(21,880)	(57,822)	-	(341,696)
Net book amount	642,056	70,973	10,467	9,489	12,102	299,793	1,044,880

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4 Property, plant and equipment (continued)

	Buildings	Computer and related equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in process	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022							
Opening net book amount	642,056	70,973	10,467	9,489	12,102	299,793	1,044,880
Other additions	-	22,978	2,529	1,380	16,185	456,337	499,409
Disposals	-	(420)	(217)	(181)	-	-	(818)
Transfer to investment properties	(36,506)	-	-	-	-	(65,519)	(102,025)
Depreciation charge	(22,735)	(21,962)	(2,702)	(2,415)	(14,938)	-	(64,752)
Closing net book amount	582,815	71,569	10,077	8,273	13,349	690,611	1,376,694
At 31 December 2022							
Cost	759,653	166,504	29,739	30,904	86,109	690,611	1,763,520
Accumulated depreciation	(176,838)	(94,935)	(19,662)	(22,631)	(72,760)	-	(386,826)
Net book amount	582,815	71,569	10,077	8,273	13,349	690,611	1,376,694

Depreciation of approximately RMB7,795,000 (2021: RMB6,019,000), RMB15,685,000 (2021: RMB12,110,000) and RMB41,272,000 (2021: RMB31,865,000) has been charged to selling and marketing expenses, research and development costs and administrative expenses, respectively.

As at 31 December 2022, none of the property, plant and equipment was used as security for bank borrowings (2021: nil)

5 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Right-of-use assets		
Land use rights (i)	101,416	139,088
Buildings	54,749	69,186
	156,165	208,274
Lease liabilities		
Current	24,648	25,563
Non-current	39,246	54,223
	63,894	79,786

Additions to the right-of-use assets during the 2022 financial year were RMB16,794,000 (2021: RMB61,323,000).

(i) The Group has land lease arrangement with mainland China government. The land use rights are located in the PRC and held on leases of between 29 to 40 years, and for self-use.

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	4,262	3,944
Buildings	27,124	29,913
	31,386	33,857
Interest expense (included in finance cost)	3,849	3,053
Expense relating to short-term leases (included in cost of sales and administrative expenses)	12,884	7,675

The total cash outflow for leases in 2022 was RMB45,275,000 (2021: RMB40,895,000).

5 Leases (continued)

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 10 years, but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

6 Investment properties

	2022	2021
	RMB'000	RMB'000
At fair value		
At 1 January	1,538,286	1,650,971
Transfer to property, plant and equipment and right-of-use assets	-	(116,744)
Transfer from property, plant and equipment	102,025	-
Transfer from right-of-use assets	4,794	-
Fair value changes recognised in profit or loss	(15,587)	4,059
Revaluation gains on properties upon transfer from property, plant and equipment and right-of-use assets to investment properties	104,561	-
At 31 December	<u>1,734,079</u>	<u>1,538,286</u>

(a) Amounts recognised in profit and loss for investment properties

	2022	2021
	RMB'000	RMB'000
Rental income	70,295	72,085
Direct operating expenses from property that generates rental income	(108)	(69)
	<u>70,187</u>	<u>72,016</u>

An independent valuation of the Group's investment properties was performed by the valuer, Avista Group, to determine the fair value of the investment properties based on highest and best use as at 31 December 2022. The Group's investment properties, which comprised office buildings in the PRC, were carried at fair value and measured using significant unobservable inputs (Level 3) as at 31 December 2022 and 2021.

(b) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group required the tenants to provide deposits for the term of lease contract.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

6 Investment properties (continued)

Valuation processes of the Group

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held among the CFO, the valuation team and the valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At the end of each reporting period the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Valuation techniques

For completed office buildings, the valuation was determined using income approach based on significant unobservable inputs. These inputs include:

Unobservable inputs	Description	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Term yields	Based on yields extracting from terms of current leases	4.75% (2021: 5.00%)	The higher the term yields rate, the lower the fair value
Reversionary yields	Based on expected yields after expiry of any current lease	5.00% (2021: 5.50%)	The higher the reversionary yields, the lower the fair value
Fair market rents	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts and external evidence such as current market rents for similar properties	RMB 50– RMB 138 per month per square meter (2021: RMB50– RMB135 per month per square meter)	The higher the rental value, the higher the fairvalue

There were no changes to the valuation techniques during the year.

7 Trade and other receivables, and loans to third parties

	2022	2021
	RMB'000	RMB'000
Trade receivables (a)	269,548	287,655
Less: allowance for impairment of trade receivables	<u>(140,244)</u>	<u>(134,800)</u>
Trade receivables – net	129,304	152,855
Other receivables		
– Notes receivable	39,209	57,109
– Advances to employees (b)	5,414	9,158
– Prepayments	48,841	50,618
– VAT recoverable	17,940	27,768
– Interest receivables	79,924	47,962
– Receivables from related parties (c)	22,070	19,476
– Receivables from non-controlling shareholders	37,619	43,619
– Others	33,284	50,739
– Less: allowance for impairment of other receivables (excluding prepayments)	<u>(16,524)</u>	<u>(14,182)</u>
	397,081	445,122
Less: non-current portion	<u>(104,051)</u>	<u>(53,156)</u>
Current portion	<u>293,030</u>	<u>391,966</u>
Loans to third parties (d)		
– Current portion	268,274	305,383
– Non-current portion	<u>63,081</u>	<u>23,470</u>
	<u>331,355</u>	<u>328,853</u>

The carrying amounts of trade and other receivables approximate their fair value. The Group's trade and other receivables are mainly denominated in RMB.

(a) Sales are generally made without prescribed credit terms in the sales contracts but customers usually take 1 to 3 months to settle the receivables. At 31 December 2022 and 2021, the aging analysis of trade receivables based on invoice date were as follows:

	2022	2021
	RMB'000	RMB'000
0 - 90 days	99,724	118,441
91 - 180 days	11,459	15,620
181 - 360 days	14,690	18,355
Over 360 days	<u>143,675</u>	<u>135,239</u>
	<u>269,548</u>	<u>287,655</u>

7 Trade and other receivables, and loans to third parties (continued)

(b) Advances to employees

The amounts advanced to employees were restricted for business purpose only, such as advances for selling expenses. Such advances were interest free, unsecured and repayable on demand. During the years ended on 31 December 2022 and 2021, the Group did not advance any cash to the directors for use on business activities.

(c) Receivables from related parties were unsecured, interest-free, and repayable on demand and denominated in RMB.

(d) Loans to third parties

	2022	2021
	RMB'000	RMB'000
Loans to third parties	334,702	332,175
Less: Provision for collective impairment assessment of the loans	<u>(3,347)</u>	<u>(3,322)</u>
Loans to third parties, net of provision	331,355	328,853
Less: non-current portion	<u>(63,081)</u>	<u>(23,470)</u>
Current portion	<u><u>268,274</u></u>	<u><u>305,383</u></u>

The loans to third parties represented loans made under the micro-credit business, which bear interest from 4.28% to 24.00% (2021: 4.28% to 24.00%) per annum and are repayable with fixed terms agreed with the customers, and all denominated in RMB.

The fair values of the loans to third parties approximated their carrying amounts. The interest accrued was due within 12 months and presented in interest receivables.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group performed expected credit loss assessment of loans to third parties collectively by grouping loans with similar credit risk characteristics. During the years ended 31 December 2022 and 2021, the majority of the loans were in stage 1 and there was no significant change in credit quality for loans for both years.

8 Share capital and share premium

	Number of shares (thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2021	3,466,598	83,331	5,052,514	5,135,845
Employee share option scheme				
– Exercise of share options	5,583	153	15,046	15,199
Share award plan				
– Value of services received	-	-	107,413	107,413
– Transfer shares to the awardees upon vesting	-	-	(25,623)	(25,623)
At 31 December 2021	<u>3,472,181</u>	<u>83,484</u>	<u>5,149,350</u>	<u>5,232,834</u>
At 1 January 2022	3,472,181	83,484	5,149,350	5,232,834
Employee share option scheme				
– Exercise of share options	8,390	182	24,478	24,660
Share award plan				
– Value of services received	-	-	115,140	115,140
– Transfer shares to the awardees upon vesting	-	-	(117,840)	(117,840)
Cancellation of shares (Note 9(a))	(6,172)	(129)	(86,175)	(86,304)
At 31 December 2022	<u>3,474,399</u>	<u>83,537</u>	<u>5,084,953</u>	<u>5,168,490</u>

(a) The total authorised number of ordinary shares as at 31 December 2022 was 4,000,000,000 (2021: 4,000,000,000) shares with a par value of HKD0.025 (2021: HKD0.025) per share. All issued shares were fully paid.

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9 Other reserves

	Merger reserve	Capital reserve	Statutory surplus reserve fund	Property revaluation	Shares held for share award plan	Translation	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note (b)	Note (c)	Note (d)		Note (a)			
At 1 January 2021	6,570	253,488	138,762	476,049	(250,353)	41,769	65,717	732,002
Currency translation differences	-	-	-	-	-	1,676	-	1,676
Buy-back of shares for the purpose of share award plan	-	-	-	-	(35,820)	-	-	(35,820)
Transactions with non- controlling interests	-	-	-	-	-	-	25,544	25,544
Transfer shares to the awardees upon vesting	-	-	-	-	20,802	-	-	20,802
At 31 December 2021	6,570	253,488	138,762	476,049	(265,371)	43,445	91,261	744,204

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9 Other reserves (continued)

	Merger reserve	Capital reserve	Statutory surplus reserve fund	Property revaluation	Shares held for share award plan	Translation	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note (b)	Note (c)	Note (d)		Note (a)			
At 1 January 2022	6,570	253,488	138,762	476,049	(265,371)	43,445	91,261	744,204
Currency translation differences	-	-	-	-	-	(8,242)	-	(8,242)
Buy-back of shares for the purpose of cancellation (Note a)	-	-	-	-	-	-	(86,304)	(86,304)
Cancellation of shares	-	-	-	-	-	-	86,304	86,304
Buy-back of shares for the purpose of share award plan (Note a)	-	-	-	-	(81,340)	-	-	(81,340)
Transfer shares to the awardees upon vesting	-	-	-	-	117,840	-	-	117,840
Revaluation gains on properties upon transfer from property, plant and equipment and right-of-use assets to investment properties, net of tax	-	-	-	94,105	-	-	-	94,105
At 31 December 2022	<u>6,570</u>	<u>253,488</u>	<u>138,762</u>	<u>570,154</u>	<u>(228,871)</u>	<u>35,203</u>	<u>91,261</u>	<u>866,567</u>

9 Other reserves (continued)

- (a) During the year ended 31 December 2022, the Company bought back a total of 12,757,800 ordinary shares of the Company from the market at a total consideration of HK204,644,000 (equivalent to RMB167,644,000) of which 6,586,000 ordinary shares (equivalent to RMB81,340,000) were for the purpose of share award plan under the Company's employee share award scheme and 6,171,800 ordinary shares (equivalent to RMB86,304,000) were for the purpose of cancellation (Note 8).
- (b) The merger reserve represented the difference between the carrying amounts of the capital of the subsidiaries at the date on which they were acquired by the Company and the nominal amounts of the Company's shares issued as consideration for the acquisitions.
- (c) The capital reserve arose mainly from the reinvestment of dividends into the PRC subsidiaries and capitalisation of reserves of certain subsidiaries.
- (d) The Company's subsidiaries in the PRC are required to follow the laws and regulations of the PRC and their articles of association. These subsidiaries are required to allocate at least 10% of their net profits to the reserve fund until the balance of such fund has reached 50% of their registered capital. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

10 Bank borrowings

	2022 RMB'000	2021 RMB'000
Non-current		
Bank borrowings- unsecured	400,000	-
Less: current portion of non-current bank borrowings	<u>(15,000)</u>	<u>-</u>
	<u>385,000</u>	<u>-</u>
Current		
Bank borrowings- unsecured	70,000	-
Current portion of non-current bank borrowings	<u>15,000</u>	<u>-</u>
	<u>85,000</u>	<u>-</u>

At 31 December 2022, the Group's bank borrowings were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	85,000	-
Between 1 and 2 years	85,000	-
Between 2 and 5 years	<u>300,000</u>	<u>-</u>
	<u>470,000</u>	<u>-</u>

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	<u>470,000</u>	<u>-</u>

The Group's bank borrowings bear average interest rate of 2.97% per annum.

Bank borrowings are at floating rates and the exposure of the Group's bank borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are within 1-5 year (2021: the bank borrowings of the Group amounted to nil).

The carrying amount of the current bank borrowings approximate their fair value, as the impact of discounting using a current borrowing rate is not significant.

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11 Trade and other payables

	2022	2021
	RMB'000	RMB'000
Trade payables (a) and (b)	19,500	19,447
Note payables	23,805	-
Salary and staff welfare payables	267,861	248,966
Deposits payable	169,407	162,862
Accrual for expenses	209,492	145,189
Value-added tax("VAT") and other taxes payables	-	28,880
Unpaid consideration for acquisition of subsidiaries	18,112	18,112
Construction payables	127,071	37,115
Others	64,248	98,677
	<u>899,496</u>	<u>759,248</u>

(a) The fair values of trade and other payables approximate their carrying amounts. The carrying amounts of the Group's trade and other payables are mainly denominated in RMB.

(b) At 31 December 2022 and 2021, the aging analysis of the trade payables based on invoice date is as follows:

	2022	2021
	RMB'000	RMB'000
0 - 180 days	18,721	13,599
181 - 360 days	42	810
Over 360 days	737	5,038
	<u>19,500</u>	<u>19,447</u>

12 Revenue from contracts with customers

The Group's revenue includes revenues from cloud services business and ERP business. Revenue is stated net of applicable VAT in the PRC and comprises the following:

	2022	2021
	RMB'000	RMB'000
Cloud business	3,714,093	2,758,422
- Enterprise cloud services	2,576,130	1,901,575
- Small & micro business finance cloud services	861,046	527,969
- Industry cloud services	276,917	328,878
ERP business and others	1,151,676	1,415,725
- Sales of software and hardware products	286,260	472,212
- Software implementation services	402,391	422,624
- Software solution consulting, maintenance, upgrade and other supporting services	463,025	520,889
	4,865,769	4,174,147

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13 Expenses by nature

Expenses included in cost of sales, selling and marketing expenses, research and development costs, administrative expenses and net impairment losses on financial assets and contract assets are analysed as follows:

	2022	2021
	RMB'000	RMB'000
Research and development costs		
Amounts incurred	1,458,246	1,260,069
Less: development costs capitalised	(480,508)	(423,913)
Add: amortisation	317,738	348,388
	<u>1,295,476</u>	<u>1,184,544</u>
Employee benefit expenses	3,985,770	3,390,081
Less: amount included in development costs	(1,399,174)	(1,199,676)
	<u>2,586,596</u>	<u>2,190,405</u>
Depreciation of property, plant and equipment (Note 4)	64,752	49,994
Less: amount included in development costs	(15,685)	(12,110)
	<u>49,067</u>	<u>37,884</u>
Outsourcing services	707,894	587,312
Sales promotion and advertising	532,613	411,524
Cost of inventories consumed	189,931	185,870
Rental and utilities	47,255	39,060
Traveling expenses	77,808	78,165
Office expenses	40,907	36,841
Other taxes and surcharges	41,983	47,492
Training costs	12,754	13,920
Professional service fees	46,217	47,340
Depreciation of right-of-use assets (Note 5)	31,386	33,857
Amortisation of trademarks, licenses and copyrights	11,583	12,685
Amortisation of computer software for own use	2,881	4,421
Amortisation of customer relationship	1,082	1,333
Auditors' remuneration	4,017	3,400
- Audit services	3,670	3,400
- Non-audit services	347	-
Net impairment losses on financial assets and contract assets	92,461	78,738
Others	14,603	16,146
Total	<u>5,786,514</u>	<u>5,010,937</u>

14 Other income and gains/ (losses) – net

	2022	2021
	RMB'000	RMB'000
Other income		
VAT refund (a)	115,570	148,210
VAT input tax surplus deduction	14,099	10,559
Government program research income	94,268	79,798
Rental income - net (Note 6)	70,187	72,016
Interest income from loans to related parties	-	5,056
	<u>294,124</u>	<u>315,639</u>
Other gains/(losses)		
Realised and unrealised net gains on financial assets at FVPL (b)	25,467	50,068
Realised and unrealised net (losses)/gains on derivative financial instruments	(2,827)	27,211
Gains/(losses) on disposal of associates	2,470	(3,966)
Dilution gains of an associate	15,216	-
Net foreign exchange gains/(losses)	4,132	(24,761)
Losses on disposal of property, plant and equipment and right-of-use assets	(343)	(6,773)
Others	10,749	8,413
	<u>54,864</u>	<u>50,192</u>
	<u>348,988</u>	<u>365,831</u>

- (a) According to the current tax regulations in the PRC, the development and sales of computer software products are subject to VAT with an applicable rate of 16%. From 1 April 2019, according to the circular “2019 No. 39 Notice of Ministry of Finance, the General Administration of Taxation and The General Administration of Customs”, the applicable rate for software industry has been changed from 16% to 13%.

In 2011, the State Council issued a circular regarding the “Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industry” (Guo Fa [2011] No.4) (the “Circular”). Pursuant to the Circular, software enterprises engaged in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC exceeds 3% of the sales amounts.

- (b) It mainly represented investment return from unlisted equity investment that are measured at fair value through profit or loss.

15 Finance income– net

	2022	2021
	RMB'000	RMB'000
Finance income		
– Interest income- derived from cash and cash equivalents	<u>17,534</u>	<u>13,245</u>
– Interest income- derived from short-term and long-term bank deposits	<u>90,403</u>	<u>68,285</u>
	<u>107,937</u>	<u>81,530</u>
Finance costs		
– Interest on borrowings	(3,812)	(2,041)
– Interest on lease liabilities	<u>(3,849)</u>	<u>(3,053)</u>
	<u>(7,661)</u>	<u>(5,094)</u>
	<u>100,276</u>	<u>76,436</u>

16 Income tax credit

Taxation on the PRC profits is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC.

	2022	2021
	RMB'000	RMB'000
Current income tax		
– Current tax on profits for the year	6,188	6,076
– Over-provision in prior year	(1,185)	(21,553)
Deferred income tax	(26,817)	(28,313)
	<u>(21,814)</u>	<u>(43,790)</u>

- (a) No provision for profits tax in the Cayman Islands and Hong Kong has been made as the Group has no assessable profits for the years in those jurisdictions.
- (b) Based on management's assessment, it is highly probable that Kingdee China will meet requirements for the National Important Software Enterprise ("NISE") in tax bureau with a tax rate of 10%. Therefore, Kingdee China used a preferential corporate income tax rate of 10% for the year ended 31 December 2022 (2021: 10%). The application of preferential tax rate stated above is subject to critical estimates of the management of the Group.

16 Income tax credit (continued)

(c) Kingdee Deeking Cloudcomputing Co., Ltd. was qualified as a High-tech Enterprise from 2019 to 2022 and was entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%).

Kingdee Apusic Cloud Computing Co., Ltd. was consistently qualified as a High-tech Enterprise from 2020 to 2023 and was entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%).

Beijing Kingdee Middleware Software System Co., Ltd. was consistently qualified as a High-tech Enterprise from 2020 to 2023 and was entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%).

Beijing Kingdee Management Software Co., Ltd. was consistently qualified as High-tech Enterprise from 2020 to 2023 and were entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%).

Shanghai Guanyi Cloud Computing Software Co., Ltd. was consistently qualified as High-tech Enterprise from 2019 to 2022 and were entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%).

Shenzhen Zhangwuyou Network Technology Co., Ltd. was qualified as High-tech Enterprise from 2020 to 2023 and was entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%).

Beijing Kingdee Yunji Technology Co., Ltd. was qualified as High-tech Enterprise from 2019 to 2022 and was entitled to a preferential corporate income tax rate of 15% in 2022.

Shanghai Kingdee Internet Technology Co., Ltd. was consistently qualified as a High-tech Enterprise from 2020 to 2023 and was entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%).

Shenzhen Kingdee Wisdom Technology Co., Ltd. was consistently qualified as a High-tech Enterprise from 2021 to 2024 and was entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%).

According to the regulation issued by the Shenzhen Municipal Finance Bureau, the State Administration of Taxation and the Shenzhen Municipal Taxation Bureau, the qualified entities located in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone are entitled to a tax rate of 15% in from 1 January 2021 to 31 December 2025. Kingdee Vehicle Network Technology Co., Ltd. met the requirements and was entitled to a preferential corporate income tax rate of 15% in 2022 (2021: 15%).

Shenzhen Kingdee Pay Technology Co., Ltd., Shenzhen Kingdee Youli Technology Co., Ltd., Kingdee E-commerce Technology (Shenzhen) Co., Ltd. were qualified as a Small and Low-profit Enterprise and was entitled to a preferential corporate income tax rate of 20% in 2022 (2021: 20%)

According to the relevant requirements of the "Notice of the State Council on Printing and Distributing Several Policies for Promoting the High-quality Development of the Integrated Circuit Industry and Software Industry in the New Era" (Guo Fa [2020] No. 8), Kingdee Cloud Technology met the requirements and was entitled to a tax exemption in 2022 (2021: 0%).

16 Income tax credit (continued)

(d) Other PRC subsidiaries of the Group applied the tax rate of 25%.

The taxation on the Group's loss before income tax differs from the theoretical amount that would have arisen using the principal rate of the PRC corporate income tax due to the following:

	2022	2021
	RMB'000	RMB'000
Loss before income tax	<u>(474,218)</u>	<u>(382,145)</u>
Tax calculated at the statutory tax rate of 25% (2021: 25%)	(118,555)	(95,536)
Tax effects of:		
Preferential tax rates	13,731	46,584
Tax losses for which no deferred income tax asset was recognised	143,589	87,177
Expenses not deductible for tax purposes	7,755	2,358
Utilisation of tax losses not recognised in previous years	(2,836)	(210)
Additional deductible allowance for research and development expenses	(64,313)	(62,610)
Over-provision in prior year	(1,185)	(21,553)
	<u>(21,814)</u>	<u>(43,790)</u>

17 Dividends

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

18 Losses per share

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased and held for share award plan.

	2022	2021
Loss attributable to owners of the Company (RMB'000)	(389,158)	(302,330)
Weighted average number of ordinary shares in issue (thousands)	<u>3,439,700</u>	<u>3,276,466</u>
Basic losses per share (RMB cents per share)	<u>(11.31)</u>	<u>(9.23)</u>

(b) Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and share awards. For the share options and share awards, the number of shares that could have been issued upon the exercise of all dilutive share options and share awards less the number of shares that could have been issued at fair value (determined as the average annual market price of the Company's shares) for the same total proceeds is added to the denominator as the number of ordinary shares issued for no consideration.

As the Group incurred losses for the years ended 31 December 2022 and 2021, the dilutive potential ordinary shares were not included in the calculation of diluted losses per share as the effect of their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the years ended 31 December 2022 and 2021 was the same as basic losses per share of the respective period.

19 Related party transactions

Mr. Xu Shao Chun, who owned 20.25% of the Company's shares as at 31 December 2022, is the Company's single largest shareholder.

(a) Transactions with related parties

The Group had following transactions with related parties for the year ended 31 December 2022 as follows:

	2022	2021
	RMB'000	RMB'000
Sales of products		
– Associates	4,986	4,093
– Companies controlled by Mr. Xu Shao Chun	<u>567</u>	<u>704</u>
	<u>5,553</u>	<u>4,797</u>
Sales of services		
– Associates	2,487	22,152
– Companies controlled by Mr. Xu Shao Chun	<u>192</u>	<u>246</u>
	<u>2,679</u>	<u>22,398</u>
Rental income		
– Associates	2,976	2,785
– Companies controlled by Mr. Xu Shao Chun	<u>7,154</u>	<u>4,877</u>
	<u>10,130</u>	<u>7,662</u>
Interest income		
– Associates	<u>-</u>	<u>5,056</u>

Products and services are sold based on terms agreed with the counterparties in the ordinary course of business, and the rental rates and interest rates are determined in the same way.

19 Related party transactions (continued)

(b) Purchases of products and services

	2022	2021
	RMB'000	RMB'000
Purchases of products		
– Associates	5,204	10,628
– Companies controlled by Mr. Xu Shao Chun	<u>873</u>	<u>244</u>
	<u>6,077</u>	<u>10,872</u>
Purchases of services		
– Associates	<u>59,985</u>	<u>50,207</u>

Products and services purchased from associates and companies controlled by Mr. Xu Shao Chun are carried out on terms agreed with the counterparties in the ordinary course of business.

(c) Balances with related parties

	2022	2021
	RMB'000	RMB'000
Receivables from related parties (Note 7)		
– Associates	11,526	14,319
– Companies controlled by Mr. Xu Shao Chun	<u>10,544</u>	<u>5,157</u>
	<u>22,070</u>	<u>19,476</u>
Payable to related parties recorded in “Contract liabilities”		
– Associates	409	750
– Companies controlled by Mr. Xu Shao Chun	<u>195</u>	<u>-</u>
	<u>604</u>	<u>750</u>
Payable to related parties recorded in “Trade payables”		
– Associates	2,653	2,208
– Companies controlled by Mr. Xu Shao Chun	<u>74</u>	<u>17</u>
	<u>2,727</u>	<u>2,225</u>

The above balances with related parties were interest free, unsecured and repayable on demand.

19 Related party transactions (continued)

(d) Key management compensation

Key management comprise the Company's directors and senior management. The compensation paid or payable to key management for employee services is shown below.

	2022	2021
	RMB'000	RMB'000
Salaries and other short-term employee benefits	22,824	22,314
Share-based payments	16,058	17,340
	<u>38,882</u>	<u>39,654</u>

(e) Loans to related parties

	2022	2021
	RMB'000	RMB'000
Loans to an associate		
At 1 January	-	-
Loans advanced during the year	-	200,000
Repayments received from related parties	-	(200,000)
At 31 December	<u>-</u>	<u>-</u>

MANAGEMENT DISCUSSION AND ANALYSIS**1. Major Financial Information****Revenue**

For the year ended 31 December 2022, the Group recorded total revenue of RMB4,865,769,000, representing a year-on-year growth of 16.6% (2021: RMB4,174,147,000). Revenue from the Cloud Services increased by 34.6% yoy to RMB3,714,093,000 (2021: RMB2,758,422,000). Revenue from the ERP business and others amounted to RMB1,151,676,000 (2021: RMB1,415,725,000), a year-on-year decrease of 18.7%.

	2022	2021
	RMB'000	RMB'000
Cloud business	3,714,093	2,758,422
- Enterprise cloud services	2,576,130	1,901,575
- Small & micro business finance cloud services	861,046	527,969
- Industry cloud services	276,917	328,878
ERP business and others	1,151,676	1,415,725
- Sales of software and hardware products	286,260	472,212
- Software implementation services	402,391	422,624
- Software solution consulting, maintenance, upgrade and other supporting services	463,025	520,889
	<u>4,865,769</u>	<u>4,174,147</u>

The above-mentioned increase in revenue from cloud services business was mainly attributable to the increase of subscription service revenue of Kingdee Cloud products.

Gross Profit

The Group recorded gross profit of approximately RMB2,997,633,000 (2021: RMB2,633,572,000), a year-on-year increase of approximately 13.8%. The gross profit margin decreased by 1.5 percentage points yoy to approximately 61.6% (2021: approximately 63.1%). The decrease was mainly due to the year-on-year increase in implementation labour costs of benchmark projects in the large enterprise market.

Selling and marketing expenses

During the Reporting Period, selling and marketing expenses totaled approximately RMB2,026,584,000 (2021: RMB1,741,354,000), representing an increase of 16.4% yoy. Selling and marketing expenses as a percentage of total revenue decreased from 41.7% in 2021 to 41.6% in 2022.

Administrative expenses

During the Reporting Period, administrative expenses totaled approximately RMB503,857,000, representing a yoy increase of 8.2% (2021: RMB465,726,000). Administrative expenses as a percentage of total revenue decreased from 11.2% in 2021 to 10.4% in 2022.

Research and development expenses

During the Reporting Period, the Group continued to focus on “Platform + Financial & HR & Tax + Ecosystem” strategy, and increased R&D investment in Kingdee Cloud Cosmic and Kingdee Cloud Constellation. Total research and development costs were approximately RMB1,458,246,000, representing an increase of 15.7% yoy (2021: RMB1,260,069,000), of which, the R&D capitalization rate dropped to 33.0% (2021: 33.6%), the capitalized amount was RMB480,508,000, increased by approximately 13.4% yoy (2021: RMB423,913,000). Amortisation of research and development costs during the Reporting Period was RMB317,738,000, representing a decrease of approximately 8.8% yoy (2021: RMB348,388,000). Research and development expenses recognised in the consolidated

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income statement was RMB1,295,476,000, increased by approximately 9.4% yoy (2021: RMB1,184,544,000). Research and development expenses as a percentage of revenue decreased from 28.4% in 2021 to 26.6% in 2022.

Other income and gains – net

During the Reporting Period, other income and gains-net was RMB348,988,000, representing a decrease of 4.6% yoy (2021: RMB365,831,000).

Operating loss

For the year ended 31 December 2022, the Group recorded an operating loss of approximately RMB587,344,000 (2021: operating loss of approximately RMB466,900,000), due to the Group pushed forward the cloud subscription business, and increased the R&D investment in Kingdee Cloud Constellation and HR SaaS products. Cloud services segment's operating loss was approximately RMB561,062,000, representing a decrease of approximately 19.3% yoy (2021: loss of approximately RMB695,099,000). ERP business and others segment's operating loss was approximately RMB80,882,000 (2021: profit of approximately RMB152,124,000). Investment properties segment's operating profit declined approximately 28.2% yoy to approximately RMB54,600,000 (2021: approximately RMB76,075,000), due to increased self-use floor space.

Finance income–net

During the Reporting Period, the finance income–net amounted to approximately RMB100,276,000. In the same period of 2021, the finance income–net was amounted to approximately RMB76,436,000, mainly due to the increase in finance income during the Reporting Period.

Income tax credit

During the Reporting Period, the income tax credit amounted to approximately RMB21,814,000 (2021: the income tax credit amounted to approximately RMB43,790,000).

Loss and losses per share

For the year ended 31 December 2022, the current loss attributable to owners of the Company was approximately RMB389,158,000 (2021: loss of approximately RMB302,330,000). Net loss margin attributable to owners of the Company was approximately 8.0% (2021: net loss margin of approximately 7.2%). Basic losses per share was approximately RMB11.31 cents (2021: basic losses per share of approximately RMB9.23 cents).

Financial assets and derivative instruments at fair value through profit or loss

For the year ended 31 December 2022, the Group's financial assets and derivative instruments at fair value through profit or loss amounted to approximately RMB997,419,000, representing a decrease of approximately RMB710,274,000 as compared with 31 December 2021, including the non-current portion of approximately RMB931,164,000 (2021: approximately RMB957,883,000) and the current portion of approximately RMB66,255,000 (2021: approximately RMB749,810,000).

Financial assets at fair value through profit or loss included the following:

	2022 RMB'000	2021 RMB'000
Investments designated at fair value through profit or loss		
Wealth management products (i)	19,201	703,193
listed equity securities	47,054	44,472
Unlisted equity investment (ii)	931,164	957,883
	997,419	1,705,548
Less: non-current portion	(931,164)	(957,883)
	<u>66,255</u>	<u>747,665</u>

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(i) This represented the Group's investments in various wealth management products issued by commercial banks and state-owned financial institutions. These products have a term ranging from 2 month to 24 months. They have an expected annual return rate ranging from 1.50% to 2.85%. No single wealth management product investment accounted for over 5% of the Group's total assets.

(ii) This represented the Group's investments in various unlisted equity investments, including Dmall Inc. and other companies in software industry.

Investments in associates

	2022	2021
	RMB'000	RMB'000
At 1 January	393,003	403,032
Additions	17,336	-
Dilution gain of an associate	15,216	-
Disposals	(16,812)	(18,348)
Share of profits of associates	<u>12,850</u>	<u>8,319</u>
At 31 December	<u><u>421,593</u></u>	<u><u>393,003</u></u>

(a) Individually immaterial associates

In the opinion of the directors, none of the associates is material to the Group. Summarised aggregate financial information of the individually immaterial associates that are accounted for using the equity method are as following:

	2022	2021
	RMB'000	RMB'000
Aggregate carrying amounts of individually immaterial associates	<u><u>421,593</u></u>	<u><u>393,003</u></u>

Aggregate amounts of the Group's share of:

Profit for the year	12,850	8,319
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income/(loss)	<u><u>12,850</u></u>	<u><u>8,319</u></u>

(b) All the associates of the Group are unlisted and operate in Mainland China. There are no significant contingent liabilities relating to liabilities of the associates for which the Group is severally liable.

(c) Unrecognised share of losses of associates

	2022	2021
	RMB'000	RMB'000
At 1 January	31,960	21,719
Unrecognised share of losses during the year	<u>4,902</u>	<u>10,241</u>
At 31 December	<u><u>36,862</u></u>	<u><u>31,960</u></u>

Contract assets

During the Reporting Period, contract assets of the Group were approximately RMB346,542,000 as at 31 December 2022 and the corresponding contract assets were approximately RMB322,974,000

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as at 31 December 2021.

Loans to related parties

	2022	2021
	RMB'000	RMB'000
Loans to an associate		
At 1 January	-	-
Loans advanced during the year	-	200,000
Repayments received from related parties	-	(200,000)
At 31 December	<u>-</u>	<u>-</u>

Loans to third parties

	2022	2021
	RMB'000	RMB'000
Loans to third parties	334,702	332,175
Less: Provision for collective impairment assessment of the	<u>(3,347)</u>	<u>(3,322)</u>
Loans to third parties, net of provision	331,355	328,853
Less: non-current portion	<u>(63,081)</u>	<u>(23,470)</u>
Current portion	<u>268,274</u>	<u>305,383</u>

The loans to third parties represented loans made under the micro-credit business, which bear interest from 4.28% to 24.00% (2021: 4.28% to 24.00%) per annum and are repayable with fixed terms agreed with the customers, and all denominated in RMB.

The fair values of the loans to third parties approximated their carrying amounts. The interest accrued was due within 12 months and presented in interest receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

The Group performed expected credit loss assessment of loans to third parties collectively by grouping loans with similar credit risk characteristics. During the years ended 31 December 2022 and 2021, the majority of the loans were in stage 1 and there was no significant change in credit quality for loans for both years.

Contract liabilities

During the Reporting Period, the Group's contract liabilities amounted to approximately RMB2,631,035,000 as at 31 December 2022. The corresponding contract liabilities amounted to approximately RMB2,164,713,000 as at 31 December 2021. The increase in contract liabilities during the year was mainly due to the growth of the Group's cloud subscription service business.

Liquidity, financial and capital resources

As at 31 December 2022, the Group recorded a total cash and bank deposits of approximately RMB4,296,103,000 (31 December 2021: RMB3,747,373,000). As at 31 December 2022, the Group held asset management products of RMB19,201,000 (31 December 2021: RMB703,193,000). A substantial part of the Group's cash, bank deposits and wealth management products were denominated in RMB and the RMB-equivalent of the part denominated in foreign currencies were approximately RMB87,142,000 as at 31 December 2022 (31 December 2021: RMB110,848,000), which were mainly denominated in US dollar and Hong Kong dollar.

As at 31 December 2022, the Group's net current assets amounted to approximately RMB218,263,000 (31 December 2021: RMB1,387,504,000). As at 31 December 2022, the current ratio of current assets to current liabilities was approximately 1.06.

As at 31 December 2022, the Group's borrowings amounted to RMB 470,000,000 (31 December 2021: nil).

Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings carried at floating rates exposed the Group to cash flow interest-rate risk whereas those carried at fixed rates exposed the Group to fair value interest-rate risk.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2022, bank borrowings of the Group which were bearing at floating rates amounted to RMB470,000,000 (2021: nil). As at 31 December 2022, if the interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the years ended 31 December 2022 would have been approximately RMB2,115,000 (2021: nil) higher/lower.

Foreign exchange risk

The functional currency of the Company and its major subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the People's Republic of China.

Foreign exchange risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign exchange risk faced by the Group mainly comes from movements in the US dollars/RMB and Hong Kong dollars/RMB exchange rates.

At 31 December 2022, the Group did not have any derivative financial instrument for which hedging accounting was applied.

At 31 December 2022, if the RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, loss before tax for the year would have been lower/higher by approximately RMB3,206,000 (2021: loss before tax for the year would have been lower/higher by approximately RMB4,556,000), mainly as a result of foreign exchange gains/losses on translation of HKD denominated cash at bank and in hand.

At 31 December 2022, if the RMB had weakened/strengthened by 5% against the USD with all other variables held constant, loss before tax for the year would have been lower/higher by approximately RMB1,077,000 (2021: loss before tax for the year would have been lower/higher by approximately RMB918,000), mainly as a result of foreign exchange gains/losses on translation of USD denominated cash at bank and in hand.

Credit risk

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Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, at fair value through profit or loss (FVPL) and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

The management manages the credit risk of cash and cash equivalents, pledged and short-term and long-term bank deposits and wealth management products (classified as financial assets at FVPL) by transacting with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in mainland China and Hong Kong.

In relation to trade receivables and contract assets, the Group has two kinds of distribution channels, one is sales to distributors and the other is sales to end customers.

For sales to distributors, the Group has assessed the credit quality of the distributors, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The compliance with credit limits by distributors is regularly monitored by management.

For sales to end customers, the Group has no significant concentration of credit risk in trade receivables since the balance of trade receivables is composed of numerous individual small items and the exposure spreads over a large number of customers.

The Group's investments in debt instruments, including loans to the third parties and related parties as well as entrust loans are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

For other receivables, management considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an on-going basis. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables.

Fund and working capital management

Our funds and liquidity management are centrally carried out by our fund management department. Our fund management department is generally responsible for overall management and implementation of funds, including formulating the capital management policy for our Group, guiding, coordinating and standardizing the fund management of regional companies, making annual funding plans, reviewing and summarizing annual capital budget, overseeing and assessing fund management of each regional company. Our finance departments of regional companies are committed to implementing the fund management policies formulated by our headquarters and are responsible for making funding plans and executing capital operations at subsidiary level. We have also adopted sophisticated fund management policies and implemented a set of rules and guidelines on fund management, such as the Group Capital Internal Control Management Measures (《集團資金基礎內控管理辦法》) and Fund Settlement Of Branch Offices Management Measures (《分支機構資金結算管理辦法》), to enhance the effectiveness and efficiency of fund management, thereby ensuring our financial security and reducing cost of capital.

To manage our idle cash on hand, we purchase and redeem wealth management products using them as our "cash pool" from which we could readily access cash as needed and generate higher yield than bank deposits. The underlying financial assets of the wealth management products in which we invested primarily consist of the low-risk wealth management products issued by financial institutions. The amount of the purchase will be determined based on our surplus funds. Our main treasury policy on fund management is the Wealth Management Administration Solution (《資金理財管理辦法》). We consistently comply with our treasury policy during the procedures of purchasing the wealth management products and managing the relevant departments, as well as in conducting business, accounting and filing.

We are committed to safeguarding overall financial security and maintaining a strong cash position and a healthy debt profile with strong repayment ability. By adopting a full, reasonable and professional assessment mechanism, preparing annual and monthly funding plans, the Group has established disciplined fund management principal, which allows us to efficiently manage market risks.

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For budget management, we have established a monthly, quarterly and annual budget management system, then seek approval from our chief financial officer. The capital budget plans should be made based on the objective basis of the Group's business plans, project schedules, and contractual payment terms to ensure that the plan accurately matches the actual business needs.

Major properties

The following table sets forth the details of the major properties held by the Group as of 31 December 2022.

Property name	Location	Existing use	Lease term	Total Fair value
				RMB'000
Beijing Kingdee Software Park	No. 4 Fuxing Street, Mapo Town, Shunyi District, Beijing City, the PRC	Offices	Long-term	675,090
Shanghai Kingdee Software Park	No. 88 Chenhui Road, Zhangjiang High Technology Park, Pudong District, Shanghai City, the PRC	Offices	Long-term	376,120
Shenzhen Kingdee Software Park (Phase 1)	No. 2, No.12 Technology Road South, High Technology Park, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Offices	Long-term	481,410
Shenzhen Kingdee Building (Phase 2)	No. 2, No.12 Technology Road South, High Technology Park, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Offices	Long-term	127,659
Shenzhen W1-B	Level 4, Building W1, High-tech Industrial Village, No. 1 Technology Road South, Nanshan District, Shenzhen City, Guangdong Province, the PRC	Offices	Long-term	73,800
				1,734,079

2. Employee and Remuneration Policy

During the Reporting Period, total number of employees in the Group reached 12,036. The Group maintained committed to the core philosophy of "Customer-centered, Long-term Adherence to Professionalism", continuously encouraged product innovation and quality construction, and launched the three-pillar construction of "Organization, Talents and Culture". The Group insisted on the philosophy of "Strivers-oriented, Long-term Adherence to Visionary Mind" and continued to bring in leading cloud transformation talents and outstanding fresh graduates, encouraged managers and key personnel staffs to take up rotations, cultivated management and creative talents and stimulated the vitality of the organization.

3. Social Responsibility

The Group carried out social responsibilities through proactive contribution to enterprises and colleges and universities in fighting with COVID-19 pandemic. During the Reporting Period, Kingdee timely activated cloud-based teaching service for colleges and universities, delivering lectures to their staff on the topic of Financial Big Data Analytics Course, Management Accounting Comprehensive Training Course and Human Resources Digital Management Course. The Group jointed with partners to launch a series of training courses of Enterprise Environment Financial Digital Practical Teaching for helping nearly 3,000 school teachers improve their teaching practices. The Group successfully concluded the Sixth Innovation Cup of University Student Competition, and launched the China Software Cup of Developer Competition, Internet+Innovation and Entrepreneurial Enterprises Track. Over 600 colleges and universities participated in the competition, and around 20,000 students achieved skill enhancement from the competition. More than 500 digital talents were recruited by Kingdee's ecosystem partners. Meanwhile, Kingdee is very committed to advancing basic education in areas where education resources are scarce, supporting welfare undertakings and implementing various measures to support students in different places including Sichuan, Hunan and Jiangsu to realize their dreams.

The Group provided digital management trainings to CEO and CIO and senior executives through Kingdee Digital Lectures. During the period, the Group commenced the online series of courses of

CEO Digital Lectures – Entrepreneur Advanced Seminar and digital transformation workshops with 220 senior management in attendance, fueling the digital transformation of Chinese enterprises.

The Group continued to support the selection of China Management Model Excellence Award and the “China Management Model 50+” forum (“China Management Global Forum”), and joined hands with the management experts, entrepreneurs and all sectors of society to advance enterprise management.

4. Outlook

In 2022, witnessing the repeated COVID-19 pandemic and major changes unfolding in our world, something unseen in a century, we steadily pursued the goal of “Creating another Kingdee with cloud subscription model” and have taken major steps. In 2023, we move forward to the conclusion year of Kingdee’s Three-year Strategy, and we celebrate the thirtieth anniversary of Kingdee and embark on a new journey. This year is meant to be extraordinary and witnessing history. China’s modernization progress would require modernization in China’s enterprise management. A stronger China would also need a strong management software company. Over the past thirty years, Kingdee has gradually developed into a global leading and China’s No.1 enterprise management cloud SaaS company, supporting Chinese enterprises to become world-class. Kingdee will continue to focus on the core strategy of “Platform + Finance & HR & Tax + Ecosystem”, adhere to the Kingdee philosophy of “Customer-centered, Long-term Adherence to Professionalism; Strivers-oriented, Long-term Adherence to Visionary Mind”. Kingdee will insist on providing better products, better ecosystem, better implementation, better service and better reputation, in order to push forward Chinese enterprises pursuing high-quality development and to become a major force in building digital economy.

Dividend

The Board does not recommend the declaration and payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

Purchase, Sale or Redemption of Shares

Purchase

During the year ended 31 December 2022, the Company purchased 6,586,000 shares of the Company on the Stock Exchange for an aggregate consideration of approximately HK\$100,297,074 pursuant to the share award scheme as adopted by the Company on 4 December 2015.

Redemption of Shares

During the year ended 31 December 2022, the Company had repurchased the following shares on the Stock Exchange.

Trading day	Number of shares repurchased	Highest Price Paid (HK\$)	Lowest Price Paid (HK\$)	Aggregate Price Paid (HK\$)
28 January 2022	2,500,000	19.10	18.76	47,573,937
8 February 2022	990,800	18.90	18.58	18,660,148
14 February 2022	1,150,000	19.26	19.02	22,117,097
29 September 2022	650,000	10.80	10.48	6,937,482
30 September 2022	881,000	10.34	10.14	9,058,374
Total	6,171,800			104,347,038

Of these 6,171,800 Shares, 4,640,800 Shares were cancelled on 28 February 2022 and 1,531,000 Shares were cancelled on 15 November 2022.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 12 May 2023 to Thursday, 18 May 2023 (both days inclusive), during which periods no transfer of shares will be registered. In order to be qualified to attend, participate in and vote at the AGM to be held on Thursday, 18 May 2023, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 11 May 2023.

Corporate Governance

The Company has applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the financial year ended 31 December 2022 except the following: during the reporting period, Mr. Xu Shao Chun assumed the roles of both the Chairman and Chief Executive Officer of the Company which deviated from code provision C.2.1 of the Code which specifies that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Board considers that Mr. Xu Shao Chun, as one of the main founders of the Group, has abundant knowledge of the IT industry and unique strategic perspectives. The Board believes that he can lead the Group to formulate effective strategies and react promptly to market changes. His continual service in both roles is beneficial to the stable and healthy development of the Company. However, the Board will review and make appropriate changes when necessary in order to enhance the level of corporate governance.

Audit Committee

As at 31 December 2022, the audit committee of the Company (the "Audit Committee") comprised 2 independent non-executive Directors, namely Mr. Zhou Jun Xiang (Chairman) and Mr. Bo Lian Ming, and 1 non-executive Director, namely Mr. Gary Clark Biddle. The Audit Committee has reviewed the accounting principles and practices adopted by the Company, discussed auditing, internal control, risk management and financial reporting matters, and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022

Auditor

PricewaterhouseCoopers was appointed as the external auditor of the Company for the year of 2022, and there has been no change in the Company's auditor in any of the preceding three years. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor will be proposed at the forthcoming AGM.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the announcement of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the related notes thereto for the year ended 31 December 2022 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

By order of the Board
Kingdee International Software Group Company Limited
Chairman
Xu Shao Chun

Shenzhen, the People's Republic of China, 15 March 2023.

As at the date of this announcement, the Board comprises Mr. Xu Shao Chun (Chairman of the Board and Chief Executive Officer) and Mr. Lin Bo (Chief Financial Officer) as executive Directors; Ms. Dong Ming Zhu and Mr. Gary Clark Biddle as non-executive Directors; and Mr. Zhou Jun Xiang, Ms. Katherine Rong Xin and Mr. Bo Lian Ming as independent non-executive Directors.