畅捷通 Chanjet

暢捷通信息技術股份有限公司
CHANJET INFORMATION TECHNOLOGY COMPANY LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1588

2023 Annual Report

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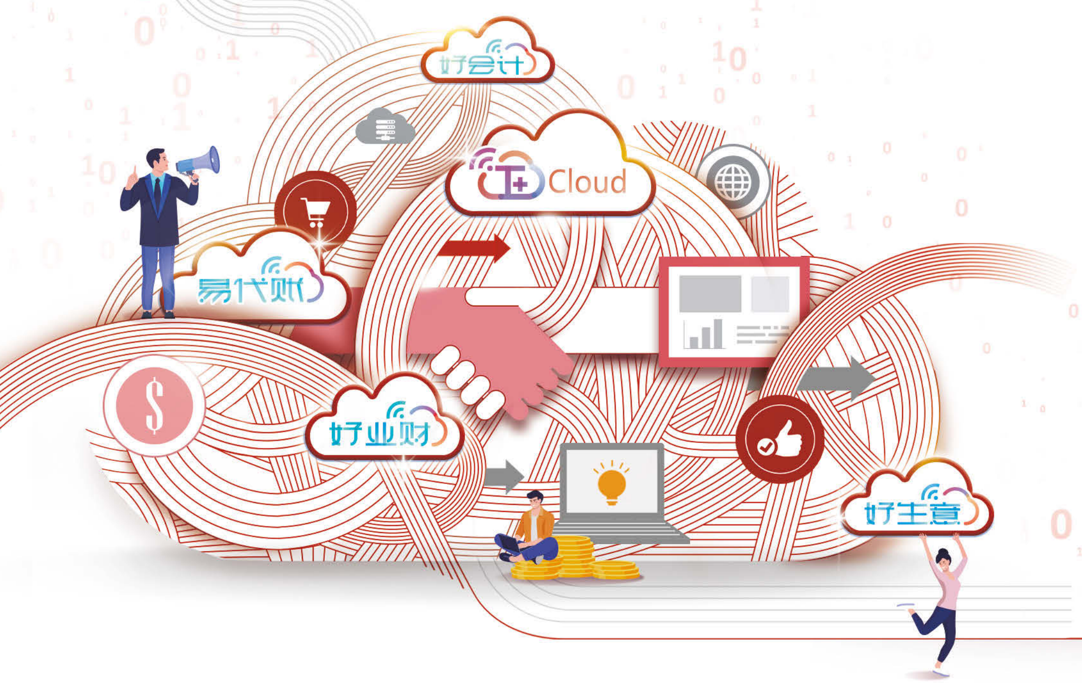

Corporate Information

DIRECTORS

Non-executive Directors
Wang Wenjing *(Chairman)*
Wu Zhengping

Executive Director
Yang Yuchun *(President)*

Independent Non-executive Directors
Lau, Chun Fai Douglas
Wu Xiaoqing
Cui Qiang*Note*

SUPERVISORS

Shareholder Representative Supervisors
Guo Xinping *(Chairman)*
Zhang Peilin

Independent Supervisors
Ruan Guangli
Ma Yongyi

Employee Representative Supervisors
Ren Jie
Xia Yuhan

AUDIT COMMITTEE

Lau, Chun Fai Douglas *(Chairman)Note*
Wu Zhengping
Wu Xiaoqing*Note*

NOMINATION COMMITTEE

Wu Xiaoqing *(Chairman)*
Wang Wenjing
Lau, Chun Fai Douglas*Note*

REMUNERATION AND APPRAISAL COMMITTEE

Cui Qiang *(Chairman)Note*
Yang Yuchun
Wu Xiaoqing

STRATEGIC COMMITTEE

Wang Wenjing *(Chairman)*
Yang Yuchun
Cui Qiang*Note*

JOINT COMPANY SECRETARIES

Bao Jie
Ngai Wai Fung

AUTHORIZED REPRESENTATIVES

Yang Yuchun
Ngai Wai Fung

Note: Mr. Chen, Kevin Chien-wen has retired as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee in order to devote more time to handle other matters. On 8 September 2023, the extraordinary general meeting of the Company has approved the appointment of Mr. Cui Qiang as an independent non-executive Director in place of Mr. Chen, Kevin Chien-wen. On the same day, the composition of the special committees of the Board has been adjusted accordingly. For details, please refer to the announcements of the Company dated 16 August 2023 and 8 September 2023, and the circular of the Company dated 23 August 2023.

Corporate Information (continued)

AUDITORS

International Auditor
Ernst & Young
Registered PIE Auditor

PRC Auditor
Ernst & Young Hua Ming LLP

LEGAL ADVISERS

As to Hong Kong law:
DLA Piper Hong Kong
As to PRC law:
Tian Yuan Law Firm

REGISTERED OFFICE AND HEADQUARTERS

Floor 3, Building 3
Yard 9, Yongfeng Road, Haidian District
Beijing, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

H SHARE REGISTRAR

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

STOCK CODE

1588

COMPANY WEBSITE

www.chanjet.com

CONTACT INFORMATION FOR INVESTORS

Tel: (8610) 6243 4214
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Corporate Profile

As a subsidiary of Yonyou Network Technology Co., Ltd. (用友網絡科技股份有限公司), the Company was established in March 2010 and was listed on the Main Board of the Hong Kong Stock Exchange on 26 June 2014 (Stock Code: 1588). Taking "facilitating MSEs' development in operation and management through creativity and technology" as its mission, striving for the vision of becoming "a worldwide leading provider of cloud services for MSEs" and "a platform for partners and employees enjoying work, making achievements and sharing success", the Company is committed to providing platform services, application services, data-based value-added services for MSEs in the PRC, with a focus on financial and business management cloud services.

The Company is a council member of the China Association of Small and Medium Enterprises, a member of the China Software Industry Association and a member of the Beijing Software and Information Service Industry Association. It has been regarded as the "Key Software Enterprises under the National Planning Layout (國家規劃佈局內重點軟件企業)" as well as "High and New Technology Enterprises (高新技術企業)" for consecutive years. In 2021, the Company was successfully selected into the "National Public Service Demonstration Platform for Small-and-Medium-sized Enterprises (國家中小企業公共服務示範平台)" by the Ministry of Industry and Information Technology of China, and the list of "Specialized and Sophisticated" Small and Medium-sized Enterprises that Produce New and Unique Products in Beijing (北京市「專精特新」中小企業認定名單). The Company has always safeguarded user information and privacy security with high standards and requirements, and has obtained several authoritative certifications, including Trusted Cloud Security Standard Evaluation (可信雲安全標準評估), National Information Security Protection Level III Certification (國家信息安全等級保護三級認證), ISO27001 Information Security Management System (ISMS) Certification, ISO27701 Privacy Information Management System Certification, ISO27018 Certification of Identifiable Personal Information Protection Management System in Public Cloud, and ISO27017 Cloud Service Information Security Management System Certification.

During the Reporting Period, the Company was awarded the "Best Innovative Service Enterprise" in the 15th "2023 iResearch Awards" sponsored by iResearch, and the "2023 Excellent Digital Service Provider (2023年度卓越數字化服務商)" at the "Star of Analysys (易觀之星)" award ceremony hosted by Analysys. At the 2023 China Software Technology Conference, the Company was awarded the "Micro and Small Enterprise Business, Finance and Tax Cloud Service Leading Enterprise (小微企業業財稅雲服務領軍企業)". At the 2023 Digital Transformation Promotion Conference (2023數字化轉型推進大會), the Company was awarded the "2023 Digital Transformation Outstanding Enterprise (2023數字化轉型傑出企業)". At the 2023 Trusted Cloud Summit (2023可信雲大會), Chanjet Good Accountant (好會計), Good Business (好生意), Good Business and Finance (好業財) and T+Cloud were successfully shortlisted for the "Trusted Enterprise-grade SaaS Product Capability Ecological Directory (可信企業級SaaS產品能力生態名錄)". According to the 2023 China Enterprise Digital and Intelligent Transformation Market Research Report (《2023年中國企業數智化轉型市場研究報告》) released by Frost & Sullivan, Chanjet ranked first in terms of the SaaS market share and cumulative paying users of business, finance and taxation applications among China's MSEs, and customers of Chanjet had the highest satisfaction rate with its brand and products in all dimensions. Moreover, products of Chanjet had the highest net promoter score.

Summary of Financial Information

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**800,621**	680,149	590,324	509,418	463,402
Gross profit	**538,599**	413,608	410,352	425,984	420,243
Profit/(loss) before tax	**21,696**	(211,955)	(193,228)	23,619	90,861
Profit/(loss) for the year	**15,876**	(212,095)	(185,070)	33,392	92,418
In which: profit/(loss) for the year attributable to owners of the parent	**15,876**	(212,095)	(185,070)	33,392	92,418
Basic earnings/(loss) per share *(RMB cents/share)*[Note]	**5.0**	(70.8)	(62.2)	10.4	28.8

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,585,582**	1,518,777	1,624,344	1,610,023	1,597,448
Total liabilities	**715,924**	806,464	700,955	343,922	278,560
Total equity	**869,658**	712,313	923,389	1,266,101	1,318,888
In which: Equity attributable to owners of the parent	**869,658**	712,313	923,389	1,266,101	1,318,888
Net assets per share *(RMB/share)*[Note]	**2.7**	2.4	3.1	3.9	4.1

Note: Basic earnings/(loss) per share and net assets per share were based on weighted average share capital during the Reporting Period, and the data from 2019 and 2020 were adjusted accordingly based on the Company's Capitalization Issue completed in 2021.

Chairman's Statement

Wang Wenjing

Chairman

Dear honorable Shareholders,

On behalf of the Board, I hereby present the Shareholders with the 2023 annual report of the Group and report the 2023 results and the 2024 business prospects of the Group for the Shareholders' perusal.

During the Reporting Period, in the face of a complex and severe external environment and the continued recovery of China's economy, the Group continued to focus on the two major areas of digital intelligent finance and taxation and digital intelligent business for MSEs. Adhering to the principle of customer success, the Group made efforts to enhance product competitiveness, expand sales channels, and pursue ecological co-prosperity from application services to ecological platform services, promote the large-scale development of businesses, and enhance operating efficiency. The Group maintained continuous growth in the revenue from cloud subscriptions and the total revenue, and achieved a turnaround from loss to profit. During the Reporting Period, the Group achieved revenue of RMB800.62 million, representing a year-on-year increase of 18%, of which revenue from cloud subscriptions was RMB487.70 million, representing a year-on-year increase of 28%. The Group recorded a profit attributable to owners of the parent of RMB15.88 million, as compared to a loss attributable to owners of the parent of RMB212.10 million in the previous year. As of the end of the Reporting Period, the accumulated paying enterprise users of the cloud service business of the Group reached 633,000.

Chairman's Statement (continued)

During the Reporting Period, at the product level, the Group expedited product innovation and development in the fields of "new finance and taxation, new commerce, new retail, new manufacturing and new service" ("**Five-New**") and enhanced the advantage of business-finance integration of the product. The Group expanded the application of AI technology, continuously strengthened ecological cooperation by enhancing the integration and opening capabilities with platform manufacturers to support the business to expand into more ecological cooperation scenarios, and enhanced product competitiveness and market coverage. In the field of digital intelligent finance and taxation, our products fully support the whole-process management of the All-electronic Invoices to further improve the automation and intelligence level of digital intelligent finance and taxation. The Group launched the intelligent finance and taxation BaaS service to provide micro enterprises with fully automatic bookkeeping and tax reporting services, which further improved the efficiency and accuracy of the whole process of automatic bookkeeping and tax reporting. In the field of digital and intelligent business, the Group continuously strengthened product innovation and development in the fields of new commerce, new retail, new manufacturing and new service. The Group generated digital and intelligent marketing materials in batches through AIGC, launched virtual digital employees, and strengthened the application and innovation of data intelligence technology, so as to help MSEs achieve digital transformation and improve operational efficiency. Meanwhile, the Group continued to enhance its comprehensive advantages in business-finance integration by combining its core advantages in the field of digital intelligent finance and taxation.

During the Reporting Period, at the marketing level, the Group firmly seized the market opportunity of the comprehensive promotion of the All-electronic Invoices, and achieved win-win development with partners. The Group further extended the layout of channel sinking to the county-level market, kept enriching diversified cooperation with ecological partners, and strengthened the density and breadth of market coverage in key regions, with the number of partners exceeding 3,000 by the end of the Reporting Period. The Group quickened the construction of a stronghold for industrialized and digital intelligent operation, and worked with channel partners to provide solutions for MSEs to upgrade their operation and management. Meanwhile, the Group continued to strengthen the construction of the cloud business development capacity of channel partners to promote traditional channel partners to transform into digital and intelligent value-added service providers. In the direct sales channel, the Group effectively expanded the coverage of the online market through multi-channel marketing such as new media; established an efficient marketing talent training system to optimize the structure of the direct sales team; with the help of AI technology, made the marketing system more intelligent to continuously carry out systematic operation of private domain traffic and improve staff efficiency, thereby achieving rapid growth in revenue of direct sales.

PROSPECTS

In 2024, the Group will continue to focus on the two major fields of digital intelligent finance and taxation and digital intelligent business for MSEs, and further expand the market share of finance and taxation cloud service for MSEs, with an aim to establish a leading position in the finance and taxation cloud service market for MSEs and seize the leading position in the cloud service market for MSEs. Firmly adhering to the principle of customer success, the Group will make continuous efforts to improve product competitiveness, expedite the application of AI technology in product innovation and corporate operation, adamantly pursue ecological co-prosperity from application services to ecological platform services, promote the large-scale development of businesses, and implement comprehensive and efficient management as a way to enhance operating efficiency and continuously improve profitability.

Chairman's Statement (continued)

(I) Strengthening its absolute leadership in digital intelligent finance and taxation by leveraging on the core advantages of relevant products, enhancing the competitive advantages of digital intelligent business products and improving the comprehensive competitiveness of business-finance integration products

The Group will continue to expedite product innovation and development. In terms of digital intelligent finance and taxation, the Group will leverage on the "Golden Tax Phase IV (金税四期)" and the development of artificial intelligence technology to focus on four aspects of intelligent finance and taxation, intelligent agency bookkeeping, integration of invoice, finance and tax, and business-finance integration, with an aim to further strengthen intelligence and automation, highlight the leading advantages of products, expand the capabilities of finance and taxation open platforms and speed up and expand the market layout. In terms of digital intelligent business, the Group will leverage on the development of low-code or zero-code platforms and focus on key industries to strengthen the industrialized and personalized characteristics of new commerce, new retail, new manufacturing, and new service as a way to get close to customer scenarios, further improve customer application satisfaction, and accelerate the development of ecological platforms. By applying artificial intelligence technologies, the Group will further deepen the application scenarios of automatic and intelligent enterprise business process to help MSEs reduce costs and increase efficiency. Taking into account the decision-making and work scenarios of MSE owners, managers and executors, the Group will deepen data services and help MSEs improve operation and management level.

(II) Expanding channels and broadening coverage, enhancing customer value and achieving win-win cooperation with partners

The Group will continue to strengthen the channel layout stationing and promote the channel sinking to cover county-level market, intensify efforts to empower channel partners to develop their businesses and increase the number of their employees, upgrade the channel business model to gain customers and increase business revenue, and enrich digital marketing and refined operation solutions with the help of AI technologies to help channel partners improve operational efficiency and staff efficiency. In the "Five-New" fields, the Group will focus on the economic and industrial belt to strengthen the stronghold for industrialized and digital intelligent operation for MSEs, and consistently carry out the "Digital Intelligent Salon" industry operation seminar to facilitate the digital intelligent transformation and upgrading of MSEs. In terms of the ecosystem cooperation, the Group will follow the strategy of expanding high-quality channels, increasing value traffic, and grasping high-efficiency revenues, and make continued efforts to expand ISV ecosystem partners, strengthen product integration, enrich product application scenarios, and enhance the customer application value of products. The Group will strengthen the operation and management of the whole life cycle of customers, promote the in-depth application of products by customers, and improve customer satisfaction and stickiness.

(III) Accelerating the development of direct sales business

The Group will continue to deepen its precise inbound marketing strategy in the direct sales channel, strengthen the in-depth application of AI in the marketing field, and improve the standardized marketing process; optimize the allocation of resources for cooperation channels such as e-commerce platforms, ecological platforms, social platforms and social training institutions, to further expand market coverage; drive the intelligent upgrading of the marketing chain, and acquire large-scale of business opportunity leads with the help of AI large models to improve the quality of such leads and secure sustained and high growth of direct sales business.

(IV) Building a strong team by strengthening capabilities, cultivating talents and improving staff efficiency

Centred on the overall development strategy of the Company, the Group will focus on the improvement of input-output ratio and staff efficiency. The Group will step up efforts to improve its professional talent development system based on the qualification system, identify the key organizational competencies for business development, continuously optimize the personnel structure, establish a key personnel promotion plan, and upgrade their overall capabilities; continuously optimize the compensation system, and innovate the performance appraisal plan to unleash the vitality of the enterprise and drive business development; and continuously implement corporate culture and values to contribute to the long-term and healthy development of the Group.

On behalf of the Board of the Company, I sincerely express my gratitude to all Shareholders and investors for their support, and my appreciation to the management and all employees of the Company for their dedicated efforts and contributions to the development of the Group.

Wang Wenjing
Chairman
28 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

Development Trend of the Industry

According to the data of the State Administration for Market Regulation, by the end of 2023, there were 184 million registered business entities nationwide, representing a year-on-year increase of 8.9%, among which 58.268 million were enterprise entities and 124 million were individual businesses, and 32.727 million newly-established business entities in 2023, representing a year-on-year increase of 12.6%, of which 10.029 million new enterprise entities were established, representing a year-on-year increase of 15.6%, and 22.582 million new individual businesses were established, representing a year-on-year increase of 11.4%. Various business entities improved qualities, expanded capacities, and further improved their structures, with a steady and improving development quality.

During the Reporting Period, in order to further support the development of MSEs and individual businesses, the Ministry of Finance and the State Taxation Administration issued the Announcement on Further Supporting the Development of Small and Micro Enterprises and Individual Businesses on Relevant Tax Policies (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) and the Announcement on the Value-added Tax Reduction and Exemption Policies for Small-scale Value-added Tax Payers (《關於增值稅小規模納稅人減免增值稅政策的公告》). Pursuant to the value-added tax (VAT) reduction and exemption policies for small-scale taxpayers nationwide, tax and fees reduced by RMB650.98 billion, and pursuant to the income tax reduction policies for MSEs, tax reduced by RMB178.88 billion. The General Office of the State Taxation Administration and the General Office of the All-China Federation of Industry and Commerce jointly issued the 2023 Special Action Plan of "Spring Rain Nourishes Seedlings" to Help Small and Micro Business Entities Develop (《2023年助力小微經營主體發展「春雨潤苗」專項行動方案》), focusing on the theme of "improving quality and efficiency, strengthening empowerment and promoting upgrading" to help MSEs alleviate difficulties, transform and upgrade, and achieve rapid recovery and development.

During the Reporting Period, pursuant to the Plan to Facilitate the Development of Digital Economy During the 14th Five-Year Plan Period (《「十四五」數字經濟發展規劃》) issued by the State Council and the Notice on Carrying Out Pilot Work on Digital Transformation of Small and Medium-sized Enterprises (《關於開展中小企業數字化轉型城市試點工作的通知》) issued by the Ministry of Finance and the Ministry of Industry and Information Technology, the government provided financial support for the digital transformation of small and medium-sized enterprises, selected digital transformation service providers for small and medium-sized enterprises in various places to gather high-quality service provider resources and accelerate the digital transformation of small and medium-sized enterprises.

During the Reporting Period, China kept promoting the popularization and application of the All-electronic Invoices nationwide, and the pilot of accepting and invoicing the All-electronic Invoices fully covered 36 provinces and municipalities across the country (including cities specifically designated in the state plan). This will greatly improve the digital and electronic level of invoices, and the demand of MSEs for the products integrating business, invoice, finance and tax as well as business-finance integrating products will also continue to increase.

Management Discussion and Analysis (continued)

During the Reporting Period, IT technology and industrial innovation entered a new era centered on AI. Extended on the basis of large language model, the multimodal model has achieved more powerful general intelligence using multi-sensory skills such as integrated image and speech recognition. In this new era, intelligent business operations, natural human-computer interaction, intelligent knowledge generation, and semantic application generation have become four mainstream directions of AI application in enterprises. These changes have brought unprecedented opportunities and challenges to the digital and intelligent transformation of MSEs.

The above development trends of the industry have played a positive role in promoting the development of the Group in the fields of digital intelligent finance and taxation, and digital intelligent business for MSEs, and have provided a broad market space for the Group to grow in the long run.

Major Risks and Uncertainties

The major risks and uncertainties faced by the Group in its business operations include: (1) the foundation for a sustained recovery and progressive growth of Chinese economy is still unstable, which may have an adverse impact on MSEs in terms of investment in informatization; (2) under fierce competition in the cloud services market for MSEs, the Group may face a risk in consolidating and enhancing the competitive advantages of its products if such products fail to meet the ever-changing needs of MSEs customers in a timely manner; and (3) as the government and customers escalate their requirements for information and cyber security, the Group faces strict compliance and legal liabilities in terms of cyber security and protection of data and privacy; since the Group's products and services mainly rely on the network, and the resources such as users, information and data are highly concentrated, the products and services are subject to the risk of incursions of network viruses and hackers or system interruptions.

To address the above major risks and uncertainties, the Group will make continuous efforts to enhance its product competitiveness, maintain its absolute leadership in digital intelligent finance and taxation leveraging on the core advantages of relevant products, strengthen the competitive advantages of digital intelligent business products, improve the comprehensive competitiveness of business-finance integration products, and at the same time strengthen the application of new technologies such as artificial intelligence in products to improve the customer application value of products. Adhering to pursuing ecological co-prosperity through diversified channels, the Group will further enhance the depth and breadth of market coverage, expedite the development of direct sales business, strengthen the operation and management of the full life cycle of customers, promote in-depth application of products by customers and improve customer satisfaction and stickiness. While maintaining the rapid development of the business, the Group has always adhered to high standards and requirements to protect user information and privacy security, and has continuously strengthened and improved the handling and emergency response mechanism for information security issues to cope with the increasingly complicated network security environment, so as to continuously provide safe and reliable cloud services for MSEs.

Management Discussion and Analysis (continued)

Principal Business and Operating Conditions

During the Reporting Period, the Group continued to focus on the two major fields of digital intelligent finance and taxation and digital intelligent business for MSEs. Adhering to the principle of customer success, the Group expedited product innovation and development in the "Five-New" fields, enhanced the product advantages of the business-finance integration and expanded the application of AI technology to continuously improve product competitiveness. The Group further promoted the layout of channel sinking and strengthened market coverage in key regions, continuously expanded diversified cooperation with ISV ecosystem partners, expedited the development of direct sales business, carried out marketing and customer acquisition with the help of AI technology, and upgraded the customer success system as a way to comprehensively empower customers to refine their operations.

During the Reporting Period, the Group achieved a revenue of RMB800.62 million, representing an increase of 18% over the last year, of which revenue from cloud subscriptions was RMB487.70 million, representing an increase of 28% over the last year. Revenue from cloud subscriptions accounted for 61% of the total revenue. As at the end of the Reporting Period, contract liabilities from cloud subscriptions were RMB534.41 million, representing an increase of 25% over the end of last year. During the Reporting Period, the Group achieved a gross profit of RMB538.60 million, representing an increase of 30% over the last year. The Group recorded a profit attributable to owners of the parent of RMB15.88 million, as compared to a loss attributable to owners of the parent of RMB212.10 million for the last year; and the basic earnings per share of the Group was RMB0.050, as compared to a basic loss per share of RMB0.708 for the last year.

During the Reporting Period, the Group recorded net operating cash outflow of RMB42.05 million, a significant improvement from the previous year's net operating cash outflow of RMB159.12 million. As of the end of the Reporting Period, the cash and bank balances and bank wealth management products of the Group in aggregate amounted to RMB1,190.62 million, and the financial position of the Group was healthy and stable.

During the Reporting Period, the number of new paying enterprise users of the Group's cloud service business was approximately 130,000, representing an increase of 23% over the last year. As of the end of the Reporting Period, the number of accumulated paying enterprise users of cloud service business reached 633,000.

1. *Development of products*

(1) Digital intelligent finance and taxation, closely following policy and technology trends, and consolidating the advantages in integration of invoice, finance, tax, fee, bank and filing

In the field of digital intelligent finance and taxation, our products fully support the whole-process management of the All-electronic Invoices, and seamlessly connect with tax digital accounts through automation technology to enable fully automated processing of the All-electronic Invoices. The Group continued to strengthen one-click tax declaration and further improved the automation and intelligence level of digital intelligent finance and taxation. The intelligent finance and taxation BaaS service was launched to provide fully automated bookkeeping and tax declaration service for micro enterprises, and with the application of large models, machine learning, rule engines, RPA and other artificial intelligence technologies, it further improve the efficiency and accuracy of the whole process of automatic bookkeeping and tax declaration, which will promote the upgrading of labor-intensive agency bookkeeping industry and effectively reduce the cost of agency bookkeeping and tax declaration of micro enterprises.

During the Reporting Period, in terms of digital intelligent finance and taxation, the Group continued to strengthen ecological cooperation, enhanced its integration and opening capabilities with platform manufacturers to support business development in more ecological cooperation scenarios and enhance competitiveness of products and their ability to occupy ecological channels. Meanwhile, with the comprehensive promotion of the All-electronic Invoices across China, digital and intelligent finance and taxation products have been increasingly accepted by MSEs. The universal cloud finance and taxation products of the Group achieved large-scale growth, and the total amount of new order for Chanjet Good Accountant and Easy Accounting Agent (易代賬) increased by 46% year-on-year.

Management Discussion and Analysis (continued)

(2) Digital intelligent business, strengthening the industry-oriented development and the comprehensive advantage of business-finance integration

In the field of digital and intelligent business, continued efforts were made to strengthen product innovation and development in the fields of new commerce, new retail, new manufacturing and new service, and digital and intelligent marketing materials were generated in batches through AIGC to help MSEs reduce online operating costs. Virtual digital employees were launched such as billing robots, approval robots and business process robots to help MSEs reduce costs and increase efficiency. We strengthened the application and innovation of data intelligence technology, and continuously introduced advanced data analysis technologies to publish various billboards and analysis reports required by managers, so as to help MSEs achieve digital transformation and improve operational efficiency. Meanwhile, we continued to enhance the comprehensive advantage of business-finance integration based on the core advantages in the field of digital intelligent finance and taxation of the Group.

During the Reporting Period, in terms of new commerce, the Group considered the characteristics of alcoholic beverages, frozen products, grain and oil and other industries and the demands of brands and category operators, and reconstructed the B2B ordering mall, which strengthened the online and offline integrated transaction operation plan as a way to meet the needs of MSEs for multi-channel marketing and business-finance integration management. In terms of new retail, with a focus on the business characteristics of bakery and pastry, fresh food chains, convenience stores, cultural tourism retail and other business formats, the Group improved the application of franchise chain solutions and multi-online store malls, connected to multiple local life platforms such as Meituan, and adapted to access more AI intelligent hardwares and multi-payment channels to enable MSEs to complete digital transformation efficiently. In terms of new manufacturing, efforts were made to optimize smart workshop management, strengthen quality management and traceability, conduct lean cost accounting management, and emphasize on collaboration with upstream and downstream enterprises to help manufacturing MSEs in electronics, mechanical processing, food and other industries reduce costs, increase efficiency and improve customer satisfaction. In terms of new service, the Group provided MSEs in construction and installation, business services, information technology and other industries with integrated operation solutions with project management as the core, refined their project costs and profit accounting, and continuously optimized the integrated project management function to help enterprises improve management efficiency.

During the Reporting Period, in terms of digital intelligent business, the Group continued to strengthen ecological capacity building, enhanced integration and opening capabilities with platform manufacturers such as DingTalk, WeCom and Feishu, and carried out in-depth integration from four aspects: entrance, user, product integration and data exchange, to enrich ecological cooperation scenarios, continuously expand customer groups and further improve product competitiveness and market coverage.

(3) Open platform, accelerating the development of ecological open integration capabilities

During the Reporting Period, the ecological open integration capabilities of Chanjet's Open Platform were further improved. As of the end of the Reporting Period, there were more than 2,500 certified ISVs on the Chanjet's Open Platform, which promoted the expansion of Chanjet's products in vertical fields such as e-commerce ERP and customer relationship management, as well as industries such as home furnishing and medicine, and further met the all-round, industrialized and personalized management needs of MSEs. Meanwhile, Chanjet's Open Platform further optimized the ISV entry experience, and enhanced the product integration and openness by strengthening the connect ability with ISV products such as collaborative platforms, invoice and tax, e-commerce, payment, bank-enterprise cloud connection, etc., lowered the connection threshold to further enrich the product layout and functions, effectively enhanced the competitiveness of the Group's SaaS products and expanded revenue sources.

(4) Escalating the information security management of cloud service

While maintaining its rapid business development, the Group has always safeguarded user information and privacy security with high standards and strict requirements, so as to provide MSEs with safe and reliable information technology services. In order to cope with the increasingly complicated cyber security environment, the Group continuously strengthened and improved the handling of and emergency response mechanism for information security issues, and was awarded the "Outstanding Contribution Unit for Vulnerability Handling (漏洞處置工作突出貢獻單位)" by the China National Vulnerability Database (CNVD) during the Reporting Period. Based on the mainstream IaaS platform and leveraging on its more than 10 years of experience in software and internet management, the Group independently developed C.MSP (暢雲管家), a one-stop application hosting platform, to provide MSEs with security as well as operation and maintenance services, including application management, network and host security protection and automatic backup, so as to comprehensively protect the security of customer data, resist cyber attacks, and help MSEs safely realize cloud integration.

Management Discussion and Analysis (continued)

2. *Development of business operations*

During the Reporting Period, the Group firmly seized the market opportunity of the comprehensive promotion of the All-electronic Invoices, and achieved win-win development with partners. The Group further extended the layout of channel sinking to the county-level market, kept enriching diversified cooperation with ecological partners, and strengthened the density and breadth of market coverage in key regions, with the number of partners exceeding 3,000 by the end of the Reporting Period. In the "Five-New" fields, the Group focused on the economic and industrial belts including hardware accessories manufacturing, agricultural and sideline product processing, small commodity wholesale and food and catering services, quickened the construction of a stronghold for industrialized and digital intelligent operation, worked with channel partners to continuously carry out the "Digital Intelligent Salon" industry operation seminars as a way to provide solutions for MSEs to upgrade their operation and management and facilitate the digital intelligent transformation and upgrading of MSEs. Meanwhile, the Group continued to strengthen the construction of the cloud business development capacity of channel partners, and upgraded the service system of channel partners at the level of customer operation and customer success to promote traditional channel partners to transform into digital and intelligent value-added service providers.

In the direct sales channel, based on the business strategy of focusing on the customer value chain, the Group effectively expanded the coverage of the online market through multi-channel marketing such as new media. The Group established an efficient marketing talent training system to optimize the structure of the direct sales team. With the help of AI technology, the Group increased the level of intelligence of the marketing system to achieve in-depth integration and mining of business data, effectively improved the efficiency and order success rate of the direct sales team, increased the per customer transaction, and achieved rapid growth of direct sales revenue. The Group continued to systematically operate private domain traffic, and introduced Key Opinion Leaders (KOLs) in finance, taxation and business, laying the foundation for precise marketing and sustainable growth of online direct sales business.

In terms of ecological cooperation channel, the Group carried out integrated cooperation with bank ecological partners including "CCB Huidongni (建行惠懂你)", "Cloud of Industrial Universal (興業普惠雲)" and "Jiangnan E Enterprises Win (江南E企贏)". The Group continuously deepened ecological cooperation with telecom operators, Huawei Cloud, Tencent Cloud and Yunfan Industrial Internet Platform (雲帆工業互聯網平台). The Group actively participated in the selection of digital transformation service providers for small and medium-sized enterprises in various places, and was successfully shortlisted in the recommended list of digital transformation service providers for small and medium-sized enterprises in Shijiazhuang, Fuzhou, Kunming, Hangzhou, Nanchang, Haikou, Wuhan and other places and the list of "Guangdong Province Industrial Internet Industry Ecological Supply Resource Pool (廣東省工業互聯網產業生態供給資源池)", and drove partners to participate in enterprise cloud integration projects carried out by local governments and help MSEs realize cloud integration and cloud migration. On office collaboration platforms such as DingTalk, WeCom and Feishu, three-dimensional operations and differentiated marketing were realized, and the new order amount on which increased by 210% year-on-year during the Reporting Period.

At the level of customer success operation, by building a professional empowerment system and distinguishing different industries, roles and scenarios, the Group provided customers with professional solutions to help them apply products and services rapidly and deeply, gave full play to product value, and enhanced customer stickiness.

Management Discussion and Analysis (continued)

3. *Development of brand and market*

During the Reporting Period, by virtue of rich experience in offering finance and taxation services for MSEs, the Company was selected into the "deepened pilot platform of accounting data standards for electronic vouchers (電子憑證會計數據標準深化試點平台)" jointly organised by nine ministries and commissions including the Ministry of Finance. At the "2023 National Conference on Digital Transformation of Small and Medium-sized Enterprises (2023全國中小企業數字化轉型大會)" jointly hosted by the Ministry of Industry and Information Technology and the People's Government of Anhui Province, Chanjet T+Cloud was shortlisted as a "Typical Case of Digital Transformation (數字化轉型典型案例)". Chanjet Good Accountant was awarded the "2022-2023 Excellent Innovative Software Product (2022-2023年優秀創新軟件產品)" at the 25th China International Software Expo. The Company was awarded the "Best Innovative Service Enterprise" in the 15th "2023 iResearch Awards" sponsored by iResearch, and the "2023 Excellent Digital Service Provider (2023年度卓越數字化服務商)" at the "Star of Analysys (易觀之星)" award ceremony hosted by Analysys. At the 2023 China SaaS Conference (2023中國SaaS大會), Chanjet Good Accountant, Good Business, Good Business and Finance, T+Cloud and Easy Accounting Agent were also selected in the "2024 China Enterprise Service Cloud Map (2024中國企業服務雲圖)". At the 2023 China Software Technology Conference (2023中國軟件技術大會), the Company was awarded the "Micro and Small Enterprise Business, Finance and Tax Cloud Service Leading Enterprise (小微企業業財稅雲服務領軍企業)". At the 2023 Digital Transformation Promotion Conference (2023數字化轉型推進大會), the Company was awarded the "2023 Digital Transformation Outstanding Enterprise (2023數字化轉型傑出企業)". At the 2023 Trusted Cloud Summit (2023可信雲大會), Chanjet Good Accountant, Good Business, Good Business and Finance and T+Cloud were successfully shortlisted for the "Trusted Enterprise-grade SaaS Product Capability Ecological Directory (可信企業級SaaS產品能力生態名錄)".

According to the 2023 China Enterprise Digital and Intelligent Transformation Market Research Report (《2023年中國企業數智化轉型市場研究報告》) released by Frost & Sullivan, Chanjet ranked first in terms of the SaaS market share and cumulative paying users of business, finance and taxation applications among China's MSEs, and customers of Chanjet had the highest satisfaction rate with its brand and products in all dimensions. Moreover, products of Chanjet had the highest net promoter score.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

	For the year ended 31 December			
	2023	2022	Change in amount	Percentage change
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**800,621**	680,149	120,472	18
Cost of sales and services provided	**(262,022)**	(266,541)	4,519	(2)
Gross profit	**538,599**	413,608	124,991	30
Gross profit margin	**67%**	61%	6%	
Other income and gains, net	**136,398**	59,691	76,707	129
Research and development costs	**(247,340)**	(271,725)	24,385	(9)
Selling and distribution expenses	**(335,535)**	(308,116)	(27,419)	9
Administrative expenses	**(67,943)**	(86,312)	18,369	(21)
Impairment losses on financial assets	**(628)**	(2)	(626)	31,300
Other expenses	**(592)**	(15,484)	14,892	(96)
Finance costs	**(989)**	(2,131)	1,142	(54)
Share of loss of an associate	**(274)**	(1,484)	1,210	(82)
Profit/(loss) before tax	**21,696**	(211,955)	233,651	N/A
Income tax expense	**(5,820)**	(140)	(5,680)	4,057
Profit/(loss) for the year	**15,876**	(212,095)	227,971	N/A
Attributable to:				
Owners of the parent	**15,876**	(212,095)	227,971	N/A

Management Discussion and Analysis (continued)

Operating Results

During the Reporting Period, the revenue of the Group was RMB800.62 million, representing an increase of 18% as compared to last year. Profit for the year and profit attributable to owners of the parent were both RMB15.88 million, while loss for the year and loss attributable to owners of the parent were both RMB212.10 million last year. The basic earnings per share of the Group were RMB0.050, while the basic loss per share was RMB0.708 last year.

The Group achieved a turnaround from loss to profit during the Reporting Period, mainly due to (i) the Group's promotion of the development of business scale and operating efficiency, continuous enhancement of product competitiveness, adherence to the development of ecological co-prosperity, and continuous enhancement of market coverage, thereby achieving sustained growth in revenue during the Reporting Period and an increase in gross profit margin to 67% as compared to last year, as well as a decrease of 2% in the aggregate amount of research and development costs, selling and distribution expenses and administrative expenses as compared to last year; (ii) the gain recognised from the disposal of the Finance & Taxation Practical Skills Training Product and Service Business during the Reporting Period of approximately RMB43.75 million (for details, please refer to the announcement of the Company dated 24 March 2023 in relation to the disposal of the Finance & Taxation Practical Skills Training Product and Service Business), whereas there was no such gain last year; and (iii) an increase in fair value gain on unlisted equity investments at fair value through profit or loss of approximately RMB45.86 million during the Reporting Period as compared to last year. After excluding the impact of non-operating factors mentioned in (ii) and (iii) above, the Group's loss attributable to owners of the parent during the Reporting Period decreased by 68% as compared to last year.

Revenue

For the year ended 31 December 2023, the revenue of the Group was RMB800.62 million, representing an increase of 18% as compared to last year, of which revenue from cloud subscriptions was RMB487.70 million, representing an increase of 28% as compared to last year. Revenue from cloud subscriptions accounted for 61% of the total revenue.

Cost of Sales and Services Provided

For the year ended 31 December 2023, the Group's cost of sales and services provided amounted to RMB262.02 million, representing a decrease of 2% as compared to last year.

Management Discussion and Analysis (continued)

The following table sets forth a breakdown of cost of sales and services provided of the Group by nature:

	For the year ended 31 December					
	2023		2022		Change in amount	Percentage change
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Contract operation costs	**206,098**	**79**	209,870	79	(3,772)	(2)
Operation and maintenance costs	**19,213**	**7**	14,046	5	5,167	37
Labour costs	**16,964**	**6**	21,717	8	(4,753)	(22)
Service costs	**11,358**	**4**	8,924	3	2,434	27
Amortisation of intangible assets	**4,206**	**2**	7,177	3	(2,971)	(41)
Software development and production costs	**1,069**	**1**	2,178	1	(1,109)	(51)
Other costs	**3,114**	**1**	2,629	1	485	18
Cost of sales and services provided	**262,022**	**100**	266,541	100	(4,519)	(2)

Gross Profit and Gross Profit Margin

For the year ended 31 December 2023, the Group's gross profit was RMB538.60 million, representing an increase of 30% as compared to last year. The gross profit margin of the Group was 67%, representing an increase of 6 percentage points as compared to last year, which was mainly attributable to the Group's promotion of the development of business scale and operating efficiency, and the continuous expansion of its revenue scale while its costs remained basically stable during the Reporting Period, with revenue from cloud subscriptions achieving faster growth and its gross profit margin being improved.

Other Income and Gains, Net

For the year ended 31 December 2023, the Group's other income and gains, net amounted to RMB136.40 million, representing an increase of 129% as compared to last year, which was mainly due to (i) the gain recognised from the disposal of the Finance & Taxation Practical Skills Training Product and Service Business during the Reporting Period of approximately RMB43.75 million, whereas there was no such gain last year; and (ii) an increase in fair value gain on unlisted equity investments at fair value through profit or loss of approximately RMB45.86 million during the Reporting Period as compared to last year.

Management Discussion and Analysis (continued)

Research and Development Costs

For the year ended 31 December 2023, research and development costs of the Group amounted to RMB247.34 million, representing a decrease of 9% as compared to last year, which was mainly attributable to the decrease of RMB23.10 million in labour costs.

Selling and Distribution Expenses

For the year ended 31 December 2023, the selling and distribution expenses of the Group were RMB335.54 million, representing an increase of 9% as compared to last year, which was mainly due to the Group's continuous efforts to scale up its business and the corresponding increase in sales and promotion expenses.

Administrative Expenses

For the year ended 31 December 2023, the administrative expenses of the Group were RMB67.94 million, representing a decrease of 21% as compared to last year, which was mainly due to the decrease in labour costs, office expenses and consulting expenses.

Income Tax Expense

For the year ended 31 December 2023, the income tax expense of the Group amounted to RMB5.82 million, which was mainly attributable to the income tax expense arisen from the recognition of deferred tax liabilities in respect of fair value gain on unlisted equity investments.

Management Discussion and Analysis (continued)

Profit/(Loss) Attributable to Owners of the Parent

For the year ended 31 December 2023, the Group recorded a profit attributable to owners of the parent of RMB15.88 million, as compared to a loss attributable to owners of the parent of RMB212.10 million last year.

Liquidity

Condensed cash flow statement

	For the year ended 31 December		
	2023	2022	Change in amount
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows used in operating activities	**(42,048)**	(159,115)	117,067
Net cash flows (used in)/from investing activities	**(65,692)**	519,935	(585,627)
Net cash flows used in financing activities	**(7,432)**	(7,182)	(250)

Net cash flows used in operating activities

For the year ended 31 December 2023, net cash flows used in operating activities of the Group was RMB42.05 million, representing a decrease of RMB117.07 million compared to net cash flows used in operating activities of the Group last year. The significant improvement in operating cash flows was mainly due to the increase in the amount received from cloud service business.

During the Reporting Period, the Group paid a total of RMB74.88 million (last year: RMB33.61 million) in cash to employees under the Point Scheme and the Long-term Incentive Bonus Scheme.

Net cash flows (used in)/from investing activities

For the year ended 31 December 2023, net cash flows used in investing activities of the Group was RMB65.69 million, as compared to net cash flows from investing activities of RMB519.94 million of the Group last year, mainly due to the fact that the amount of purchases of wealth management products from banks and time deposits exceeded the amount of receipts on maturity during the Reporting Period, while the amount of receipts on maturity of wealth management products from banks and time deposits exceeded the amount of purchases last year.

Net cash flows used in financing activities

For the year ended 31 December 2023, net cash flows used in financing activities of the Group was RMB7.43 million, which was mainly due to the payment of lease principal and interest under the application of "IFRS 16 – Lease".

Capital Structure and Financial Resources

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**1,037,565**	1,169,225
Wealth management products presented in financial assets at fair value through profit or loss	**153,055**	–
Total	**1,190,620**	1,169,225
Current ratio[note 1]	**229%**	209%
Gearing ratio[note 2]	**0%**	0%

Notes:

1. Current ratio was calculated based on the total current assets divided by total current liabilities.

2. Gearing ratio was calculated based on the total interest-bearing liabilities (other than lease liabilities) divided by total equity.

Cash and bank balances of the Group were mainly denominated in RMB, with certain amount denominated in HK$ and small amount denominated in US$, details of composition of the currency form are set out in note 22 to the financial statements. Cash and bank balances of the Group were mainly used for business development and daily operations, acquisitions and capital expenditure, payments of dividend, etc. With accumulated funds from previous operations and stable cash inflows generated from the daily business operations, the Group has sufficient resources for future development.

The funds management policy of the Group is to maintain the continuity of funding and maintain an optimal capital structure to reduce the cost of capital and ensure the sustainable operation of the Group with an aim to provide returns for shareholders and benefits for other stakeholders.

The current ratio of the Group as at 31 December 2023 was 229% (31 December 2022: 209%). The increase in the current ratio was mainly due to the reduction in current liabilities as a result of the Group's derecognition of treasury share repurchase obligations of RMB141.18 million arising from the implementation of the Employee Share Ownership Scheme (for details, please refer to note 25 to the financial statements).

As at 31 December 2023, as the Group had no interest-bearing liabilities (other than lease liabilities), the Group's gearing ratio was nil (31 December 2022: Nil).

Management Discussion and Analysis (continued)

Capital Expenditure

For the year ended 31 December 2023, the capital expenditure of the Group primarily included the additional expenditure on property, plant and equipment of RMB0.79 million (2022: RMB3.33 million), the additional expenditure on right-of-use assets (mainly refers to leased office buildings) of RMB1.05 million (2022: RMB17.45 million) and the additional expenditure on intangible assets of RMB0.32 million (2022: RMB0.10 million).

Contingent Liabilities

As at 31 December 2023 and 31 December 2022, the Group did not have any contingent liabilities, nor did it have any proposal on contingent liability issue.

Charges on Assets

As at 31 December 2023 and 31 December 2022, the Group did not have any charges on assets.

Significant Investments

During the Reporting Period, the Group did not have any single significant investment with a value of 5% or more of the Group's total assets at the end of the Reporting Period. The Board did not approve any major investment or plan on acquisition of capital assets as at the date of this report.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisition and disposal in relation to subsidiaries, associates and joint ventures.

Foreign Exchange Fluctuation Risks

The Group conducts its domestic business primarily in RMB, which is also its functional currency. Chanjet U.S., a subsidiary of the Company, settles in US$. As the Group's current operations are mainly located in China and the vast majority of its transactions are conducted in RMB, and the amount of cash and bank balances denominated in foreign currencies is relatively small, the management considers that the Group's exposure to foreign exchange fluctuation risks is not significant and therefore no hedging arrangement has been made by the Group during the Reporting Period. The Group, mainly through closely monitoring the foreign exchange fluctuation, conducts foreign exchange settlement and foreign exchange for the balances of proceeds raised when appropriate to mitigate foreign exchange fluctuation risks.

Interest Rate Risks

The Group did not assume any debt obligations with a floating interest rate, and thus there was no interest rate risk in this regard.

Subsequent Events

As at the date of this report, the Group had no significant events after the Reporting Period which need to be disclosed.

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Non-executive Directors

Mr. Wang Wenjing (王文京), aged 59, has been the Chairman of the Board and a non-executive Director since 19 March 2010. He is primarily responsible for providing guidance and supervision regarding the business and operation of our Group. Mr. Wang is one of the co-founders of Yonyou, which is the controlling Shareholder. He has over 35 years of working experience in the PRC software industry and has extensive experience in corporate management and business operation. Mr. Wang served as the Chairman of the Board of Yonyou since December 1988. Mr. Wang has been the Chairman of the Board of Yonyou Auto Technology since July 2010, the Chairman of the Board of Yonyou Fintech since July 2012, the Chairman of the Board of Seentao Technology from June 2015 to January 2018 and from October 2019 to January 2021, and has only been a director of Seentao Technology since January 2021. Mr. Wang was elected as a member of the 9th to 12th session of the NPC for a term from March 1998 to March 2018 and served as the vice chairman of the 10th All-China Federation of Industry & Commerce (中華全國工商業聯合會) and China Software Industry Association. Mr. Wang is currently the vice chairman of the Internet Society of China (中國互聯網協會), China Enterprise Confederation (中國企業聯合會), China Enterprise Directors Association (中國企業家協會), etc.. Mr. Wang graduated from Jiangxi University of Finance and Economics (formerly known as Jiangxi College of Finance and Economics) with a bachelor's degree in economics in July 1983.

Mr. Wu Zhengping (吳政平), aged 59, has been a non-executive Director since 19 March 2010. He is primarily responsible for providing strategic advice to the business and operation of the Group. He has over 30 years of working experience in the PRC software industry and has extensive experience in corporate management and business operation. Mr. Wu worked for China Building Materials Academy (中國建築材料科學研究總院) from August 1983 to May 1992. He has been a director of Yonyou since 1992, and currently serves as the chief financial officer of Yonyou. Mr. Wu has also been a director of Yonyou Fintech since July 2012 and a director of Yonyou Auto Technology since June 2015. Mr. Wu was a member of the 6th and 7th sessions of the Chinese People's Political Consultative Conference of Haidian District, Beijing from January 1999 to December 2006. Mr. Wu graduated from China Europe International Business School with a master's degree in business administration in September 2007.

Biographies of Directors, Supervisors and Senior Management (continued)

Executive Director

Mr. Yang Yuchun (楊雨春), aged 51, has been the President since 9 January 2017 and an executive Director since 18 May 2017. He is mainly responsible for the overall management of business operation of the Group. Mr. Yang has over 25 years of working experience in the PRC software industry. Mr. Yang joined Yonyou in August 1997, where he has served different positions at the financial accounting software development department, product management headquarter and small-scale management software department. Mr. Yang was the vice president of the Company and the general manager of the Company's research and development center from March 2010 to August 2012. From August 2012 to December 2013, Mr. Yang was the senior vice president of the Company, while he continued to serve as the general manager for the research and development center during the period, served as the executive director and manager of Chanjet Yunhui since April 2019 and served as the director and CEO of Chanjet U.S. since March 2020. Mr. Yang served as both the assistant president of Yonyou as well as the general manager of Yonyou's business planning and development department from January 2014 to January 2016. From January 2016 to January 2017, he served as the vice president of Yonyou and continued to serve as the general manager of Yonyou's business planning and development department. Mr. Yang graduated from Shi Jia Zhuang University of Economics in July 1996 and obtained his bachelor's degree in economics. He graduated from Peking University in July 2003 and obtained a bachelor's degree in management. Later, he obtained his EMBA from Guanghua School of Management at Peking University in July 2012.

Independent Non-executive Directors

Mr. Lau, Chun Fai Douglas (劉俊輝), aged 51, has been an independent non-executive Director since 8 September 2011. He is primarily responsible for providing independent opinion and judgment to the Board, particularly with regard to the financial aspects of the Group. Mr. Lau joined Ernst & Young in March 1993 and served as an audit partner of Ernst & Young from July 2004 to June 2009. He then served as the regional director of Greater China of The Institute of Chartered Accountants in England and Wales from November 2010 to September 2012. Mr. Lau served as an independent non-executive director of Ausnutria Dairy Corporation Ltd, a company listed on the Hong Kong Stock Exchange (Stock Code: 1717), from January 2015 to April 2022 and he has been an independent non-executive director of GME Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 8188), since February 2017. Mr. Lau graduated from the University of New South Wales in Sydney, Australia with a bachelor degree of Commerce in accounting and finance in October 1993. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales, a member of the Australian Society of Certified Practising Accountants and a member of the Institute of Chartered Accountants in Australia.

Biographies of Directors, Supervisors and Senior Management (continued)

Ms. Wu Xiaoqing (吳小慶), aged 70, has been an independent non-executive Director since 26 July 2022 and is primarily responsible for providing independent opinion and judgment to the Board. She has long been engaged in the field of financial and accounting management and has extensive experience in financial management and accounting for large central enterprises and is familiar with accounting standards and relevant laws and regulations on corporate tax. Ms. Wu successively worked in the finance division of the Government Offices Administration of the State Council and the finance department of Sinosteel Raw Materials Corporation* (中國鋼鐵爐料總公司) from September 1982 to January 1995. From January 1995 to December 1999, Ms. Wu successively served as the deputy head and the head of the finance department of China Sinosteel Group Corporation (中國中鋼集團公司) ("**Sinosteel**"). Ms. Wu served as the deputy chief accountant of Sinosteel and a director of Sinosteel Assets Management Co., Ltd.* (中鋼資產管理有限責任公司) ("**Sinosteel Assets Management**") from December 1999 to September 2005, and served as the deputy chief accountant of Sinosteel and the chairman of the board of directors of Sinosteel Assets Management from September 2005 to October 2008. After her retirement in October 2008, Ms. Wu served as an independent non-executive director of China CITIC Bank Corporation Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange with stock code 00998 and 601998) from October 2012 to September 2018 and has been an independent non-executive director of PICC Health Insurance Company Limited (中國人民健康保險股份有限公司) since March 2022. Ms. Wu is also a director of CICC Charity Foundation (北京中金公益基金會), a supervisor of China Arts Foundation (北京中藝藝術基金會) and a director of Dandelion School (北京市大興區蒲公英中學) (a non-profit organization). Ms. Wu is a non-practicing Chinese certified public accountant and a senior accountant. She graduated from the Faculty of Finance of Renmin University of China in July 1982 with a bachelor's degree in economics majoring in finance and accounting.

Mr. Cui Qiang (崔強), aged 44, has been an independent non-executive Director since 8 September 2023. He is primarily responsible for providing independent opinion and judgement to the Board. Mr. Cui has more than 20 years of experience in the field of enterprise services (To B). He is an expert in the SaaS industry and a seasoned media professional. From October 2008 to October 2010, Mr. Cui served as the chief editor of the CIO (chief information officer) channel and the management software channel of ZDNet (至頂網), an enterprise-level professional IT portal website, and founded the CIO video interview program "Xiao Cui Story (《小崔說事》)" (subsequently renamed as "Xiao Cui Teatime (《小崔下午茶》)"). From November 2010 to July 2012, he served as the community operation director of "IT Manager World (《IT經理世界》)" magazine e-network community, helping "IT Manager World" magazine to start its transformation to the internet. In August 2012, he founded Huohua Community (火花社區) (namely Huohua Net, a CIO real name question and answer community), and operated it until April 2014. Huohua Community had been an active CIO question and answer community in China. In November 2014, Mr. Cui founded Cuiniuhui, a vertical enterprise services (To B) community, and has been the executive director and CEO of Beijing Sparks Technology Co., Ltd., being the operating entity of Cuiniuhui.

Biographies of Directors, Supervisors and Senior Management (continued)

SUPERVISORS

Mr. Guo Xinping (郭新平), aged 60, has been the Chairman of the Supervisory Committee and a shareholder representative Supervisor since 8 September 2011. Mr. Guo worked for MOF from August 1985 to July 1989, and has been a director of Yonyou from November 1999, the Chairman of the Supervisory Committee of Yonyou Auto Technology since June 2015, and a director of Yonyou Fintech since May 2016. Mr. Guo served as an independent non-executive director of CCID Consulting Company Limited (賽迪顧問股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 2176) from May 2002 to January 2022. He served as an independent director of Glodon Company Limited (廣聯達科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002410) from April 2017 to April 2023. Mr. Guo graduated from The Hong Kong University of Science and Technology with a master's degree in business administration in November 2007. He is a senior accountant recognized by the Personnel Department of Hubei Province in January 1998.

Mr. Zhang Peilin (章培林), aged 59, has been a member of the Supervisory Committee and a shareholder representative Supervisor since 26 July 2022. Mr. Zhang joined Yonyou in 2001 and has successively served at different positions in Yonyou, including vice general manager from January 2001 to December 2002, vice president from January 2003 to April 2005, senior vice president from April 2005 to July 2012, executive vice president and chief financial officer from July 2012 to March 2014, executive president from March 2014 to January 2016, chief financial officer from January 2016 to April 2020 and chairman of the Supervisory Committee since April 2020. Mr. Zhang served as a shareholder representative Supervisor of the Company from April 2013 to January 2014 and from May 2016 to September 2020. Mr. Zhang is also the supervisor of numerous subsidiaries of Yonyou, including the chairman of the supervisory committee of Yonyou Fintech since May 2016. Mr. Zhang graduated from Tsinghua University in July 1992 with a master's degree in management engineering.

Mr. Ruan Guangli (阮光立), aged 76, has been a member of the Supervisory Committee and an independent Supervisor since 27 April 2014. Mr. Ruan served as the head of production and finance department and deputy head of finance bureau of China National Nuclear Company (中國核工業總公司) (later reorganized as China National Nuclear Corporation (中國核工業集團公司)) from April 1988 to July 1999 as well as the director of finance and audit department and then finance and accounting department at China National Nuclear Corporation from July 1999 to March 2008. Mr. Ruan retired in March 2008 and was rehired as an executive commissioner of science and technology committee at China National Nuclear Corporation from 2008 to 2015. Mr. Ruan has also been a supervisor of Seentao Technology since June 2015. Mr. Ruan graduated from Fudan University majoring in industry economics in July 1976. He is a senior accountant recognized by the human resources bureau of China National Nuclear Company in December 1994. Mr. Ruan also received the special government allowance from the State Council in 2007.

Biographies of Directors, Supervisors and Senior Management (continued)

Mr. Ma Yongyi (馬永義), aged 59, has been a member of the Supervisory Committee and an independent Supervisor since 27 April 2014. Mr. Ma has been working successively as the director of the distance education centre, the director of the academic department and the director of teacher management committee of Beijing National Accounting Institute (北京國家會計學院) since February 2004. He served as an independent director of Beijing Spaceflight Hongtu Information Technology Co., LTD (北京航天宏圖信息技術股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 688066) from May 2017 to May 2023, an external supervisor of China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1606) since February 2018 and an independent non-executive director of Ever Sunshine Services Group Limited (永升服務集團有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1995) since November 2018, and an independent director of Glodon Company Limited (廣聯達科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002410) since April 2020. Mr. Ma has been granted recognition of professor by the MOF since October 2009, and has been appointed as a second-grade professor by Beijing National Accounting Institute (北京國家會計學院) since July 2023. He has also been a director of the Accounting Society of China (中國會計學會) since March 2014. Mr. Ma obtained a PhD degree in management from Central University of Finance and Economics (中央財經大學) in July 2003.

Ms. Ren Jie (任潔), aged 45, has been a member of the Supervisory Committee and an employee representative Supervisor since 20 April 2018. Ms. Ren joined the Group in May 2013 and has been engaged in the human resources related work. She served as the recruitment manager and the human resources business partner (HRBP) of the human resources department of the Company from May 2013 to December 2015 and from January 2016 to December 2017, respectively, and has served at the human resource department of the Company since January 2018. Prior to joining the Group, Ms. Ren served as a mental health teacher at Hebei Shacheng Middle School (河北沙城中學) from July 2004 to June 2005, the chief of human resources at Yangguang Xinling Education Technology Co., Ltd. (陽光心靈教育科技有限公司) from July 2005 to June 2008, a human resources manager at Talenty International Education (蓋倫國際教育) from July 2008 to March 2011 and a project manager and headhunter consultant at Beijing Wen Hui Yong Ye Management Consultancy Co., Ltd. (北京文輝永業管理諮詢有限公司) from April 2011 to May 2013. Ms. Ren Jie obtained her bachelor's degree in science from Harbin Normal University (哈爾濱師範大學) in July 2004.

Biographies of Directors, Supervisors and Senior Management (continued)

Ms. Xia Yuhan (夏玉晗), aged 44, has been a member of the Supervisory Committee and an employee representative Supervisor since 8 September 2020. Ms. Xia joined the Group in December 2011 and has been engaged in human resources related work. She served as an officer of the human resources department from December 2011 to December 2013, the training and corporate culture manager of the human resources department from January 2014 to February 2017, the human resources general manager of the human resources administration department from December 2018 to December 2019, the human resources business partner (HRBP) of the human resources administration department from December 2019 to December 2021, and has been serving as the manager of the human resources department since January 2022 to present. Ms. Xia graduated from Beihang University (北京航空航天大學) in September 2017 and obtained a bachelor's degree in management.

SENIOR MANAGEMENT

Mr. Yang Yuchun (楊雨春), for details of Mr. Yang please refer to the biographies set out in the "Executive Director" of this section.

Ms. Gao Jin (高瑾), aged 51, has been a senior vice president and the chief financial officer of the Company since 28 May 2018. She is primarily responsible for the overall planning, budgetary and financial affairs of the Group. Ms. Gao worked as a senior auditor at Ernst & Young Hua Ming from August 1997 to September 2002. Ms. Gao joined Yonyou as the financial manager of the North China Division in October 2002; she served as the chief financial officer of Beijing Yonyou Government Affairs Software Limited (北京用友政務軟件有限公司) (currently known as Beijing Yonyou Government Affairs Software Co., Ltd., hereinafter referred to as "**Yonyou Government Affairs**") from August 2004 to May 2007; she served as the chief financial officer of Beijing Wecoo E-Commerce Limited (北京偉庫電子商務科技有限公司) from June 2007 to December 2011; she served as the deputy general manager of the financial department of Yonyou from January 2012 to June 2012; she served as a senior vice president and the chief financial officer of Yonyou Government Affairs from July 2012 to April 2018. Ms. Gao graduated from Beijing Institute of Business (currently known as Beijing Technology and Business University) with a bachelor's degree in economics in June 1997.

Biographies of Directors, Supervisors and Senior Management (continued)

Ms. Zhang Hong (張紅), aged 48, has been a senior vice president of the Company since 23 March 2018. She is primarily responsible for overall product planning of the Company. Ms. Zhang served as an engineer of the information department of Beijing Urban-Rural Trade Centre (北京城鄉貿易中心) from September 1996 to August 1998, and the product director of Beijing Sinovatech Network Technology Co., Ltd. (北京炎黃新星網絡科技有限公司) from December 1999 to February 2003, the product director of the northern region of Zhuhai Wanjiada Technology Co., Ltd. (珠海萬佳達科技有限公司) from February 2003 to September 2005. Ms. Zhang joined Yonyou in October 2005 and served as the product manager of the product management department under the small management software division of Yonyou from October 2005 to December 2007, and then as the department manager of the product management department under the small management software division of Yonyou from January 2008 to December 2009. Ms. Zhang joined the Group on 19 March 2010 and has been the product director of the Company since March 2010. She served as the vice president of the Company from 2 February 2015 to 23 March 2018. Ms. Zhang Hong graduated from China Europe International Business School with a master's degree in business administration in July 2017.

Mr. Liu Zhidong (劉志東), aged 45, has been a senior vice president of the Company since 27 March 2020. At present, he is primarily responsible for the sales and management department of the Company. Mr. Liu joined Changsha Yonyou Software Development Co., Ltd. (長沙用友軟件開發有限公司) as the manager of the management department of its subsidiary and branch in September 2002, and served as the manager of the channel marketing department of Yonyou Hunan Branch from March 2004 to January 2005. He was transferred to the small management software division of Yonyou in January 2005 and held various positions successively. Mr. Liu served as the general manager of the Company's Hunan representative office from March 2010 to January 2012, the general manager of the Company's Central China Division from January 2012 to January 2015, the assistant president of the Company and the general manager of the Central China Division from January 2015 to January 2016, the assistant president of the Company and the general manager of the West China Division from January 2016 to January 2017, and the vice president of the Company from March 2017 to March 2020. Mr. Liu graduated from business administration department of Hunan University of Commerce (now known as Hunan University of Technology and Business) with a bachelor's degree in management in June 2001.

Biographies of Directors, Supervisors and Senior Management (continued)

Ms. Xiong Xiaoxiao (熊瀟瀟), aged 42, has been a senior vice president of the Company since 18 March 2022. She is primarily responsible for the work of the user growth centre and the customer success centre of the Company. Ms. Xiong worked at the department of training of Beijing Huicong Network Technology Co., Ltd. (北京慧聰網絡技術有限公司) from July 2004 to July 2005. Ms. Xiong joined Yonyou in August 2005, and successively served as the department manager of the small business unit service department, the department manager of the department of service and development and the department manager of the department of customer management. Ms. Xiong joined the Company in April 2010 and successively served as the department manager of the department of service and development, the department manager of the department of service management, the department manager of service support headquarters administration department and the department manager of the department of customer support and served as the assistant president from January 2017 to March 2019 and a vice president of the Company from March 2019 to March 2022, primarily responsible for the user service centre and the user operations centre of the Company. Ms. Xiong graduated from Beijing Forestry University in July 2004 with a bachelor's degree of management, graduated from Beijing Normal University in June 2016 with a master's degree of business administration, and graduated from China Europe International Business School in November 2023 with a master's degree in business administration.

Mr. Wang Yunbo (王雲波), aged 45, has been a senior vice president of the Company since 28 March 2024. He is mainly responsible for research and development centre of the Company. He joined Yonyou in July 2001, and worked successively in various departments such as NC product department (NC產品本部), NC industry development department (NC行業開發部), U8 cloud business department (U8 cloud事業部) and YonSuite business department (YonSuite事業部). He joined the Company in March 2020, served as an assistant general manager of research and development centre, a general manager of research and development centre since June 2020 and a vice president of the Company from June 2020 to March 2024. Mr. Wang Yunbo graduated from Northeastern University in July 2001 with a bachelor's degree in management.

Mr. Wang Xuejun (王學軍), aged 48, has been a vice president of the Company since 23 March 2018. At present, he is primarily responsible for the digital intelligent business unit of the Company. Mr. Wang joined Yonyou as the implementation director of the Central and Southern China Division of Yonyou U8 in June 2005 and joined the small management software department of Yonyou as the support director in January 2008. He held various positions in the Company, including the general manager of the small-sized enterprise division and the general manager of T+ business of the Company from March 2010 to December 2015, the director of strategic cooperation of the Company from January 2016 to June 2017, the general manager of the Cloud Operation Centre of the Company from July 2017 to December 2017, the general manager of the cloud-based financial operation centre of the Company from January 2018 to December 2018, and he was successively responsible for ecological cooperation and operation, Good Business (好生意) development, channels capacity development and T+ business unit from January 2019 to December 2022. Mr. Wang obtained master's degree in management from the Australian National University.

Biographies of Directors, Supervisors and Senior Management (continued)

Mr. Liu Shuwei (劉書偉), aged 44, has been a vice president of the Company since 27 March 2020. At present, he is mainly responsible for the digital intelligent finance and taxation business unit of the Company. Mr. Liu worked at the Baoji Yiyou Software Co., Ltd. (寶雞市益友軟件有限責任公司) from March 2001 to December 2005. Mr. Liu joined Yonyou in January 2006, and successively served as the first line employee of the small business unit in Northwest District and the first line department manager of the small business unit in Shaanxi-Ningxia Office. Mr. Liu joined the Company in April 2010 and served as the department manager of Shaanxi-Ningxia Office from April 2010 to December 2013, the department manager of the department of Sales and Management from January 2014 to December 2014, the department manager of the department of Organization and Sales and Management from January to December 2015, the general manager for the management department of Beijing-Tianjin-Hebei Division from January to December 2016, the assistant president and the general manager of the management department of the North China Division from January 2017 to December 2018, the general manager of the management department of the Southwest China Division from January to December 2019, and the general manager of the management department of the West China Division from January to December 2020 and was responsible for T+ business unit from January to December 2021 and channel marketing from January to December 2022. Mr. Liu graduated from Xi'an University of Technology with a college degree in financial accounting and computerization in July 2002.

Mr. Xiao Mingxiao (肖明曉), aged 44, has been a vice president of the Company since 27 March 2020, mainly responsible for the channel operation centre. Mr. Xiao joined Yonyou in July 2001, and successively served as the U8 Consulting Implementation Project Manager of the Jinan Branch of Yonyou, Senior Support Manager and Senior Channel Manager of Yonyou Small Management Software Division. Mr. Xiao joined the Company in April 2010, and served as the department manager of Qingdao Office, Jinan Office and Shandong Representative Office from February 2011 to December 2015, respectively, the manager of the management department of the Central China Division from January to December 2016, the assistant president and the general manager of the management department of the Central China Division from January to December 2017 and the general manager of the management department of East China Division from January 2018 to December 2020, and was responsible for channel business development from January to December 2021. Mr. Xiao graduated from Shandong University of Finance and Economics with a bachelor's degree in management in September 2007.

Ms. Bao Jie (鮑潔), aged 44, has been the secretary to the Board and the joint company secretary of the Company since 14 September 2021. She is primarily responsible for organizing Board meetings and Shareholders' meetings, investor relations, information disclosure and general compliance work. Ms. Bao joined the Company since August 2014 as the manager of the securities department. Prior to joining the Company, Ms. Bao worked in China National Materials Group Corporation (中國中材集團有限公司) from July 2002 to August 2007, and served as the deputy director of the office of the board of directors of China National Materials Company Limited (中國中材股份有限公司) from August 2007 to August 2014. Ms. Bao graduated from Renmin University of China in July 2002 with a bachelor's degree in history.

Biographies of Directors, Supervisors and Senior Management (continued)

Mr. Jiang Peng (江鵬), aged 42, has been a vice president of the Company since 18 March 2022. He is mainly responsible for human resources system construction, corporate governance and administrative work of the Company. Mr. Jiang joined Yonyou in October 2009 and successively served as sales manager of Yonyou Beijing Branch, secretary of chairman and senior human resources manager of human resources department of Yonyou. Mr. Jiang joined the Company in January 2018 and has served as human resources administrative director since then and an assistant president from January 2019 to March 2022. Mr. Jiang has studied electronic information engineering at University of Science and Technology Beijing and business management at the Robert Gordon University.

Mr. Fan Peng (樊鵬), aged 43, has been a vice president of the Company since 23 March 2023. He is mainly responsible for the ecological operation centre of the Company. Mr. Fan joined Yonyou in September 2004 and has served as the channel support manager of Yonyou Shaanxi Branch, the chief business representative of the Shaanxi, Gansu, Ningxia and Qinghai channel of the small business unit, the department manager of the Northwest Office and department manager of the Shanghai Office. Mr. Fan joined the Company in April 2010 and successively served as the department manager of the Shanghai Office, Jiangsu Great Region and Shaanxi-Ningxia Business Representative Office from April 2010 to December 2015, the department manager of strategic development department from January 2018 to December 2019, and the assistant president from January 2020 to March 2023. Mr. Fan also successively served as the department manager of corporate payment business department, the department manager of industry development department I, the senior business development manager and project delivery department manager of Chanjet Payment from January 2016 to December 2017. Mr. Fan graduated from Jiangxi Normal University in June 2021 with a bachelor's degree in administration and management.

Ms. Li Xiao (李曉), aged 41, has been a vice president of the Company since 23 March 2023. She is primarily responsible for the strategic partner operation department, intelligent finance and taxation business department and marketing headquarters of the Company. Ms. Li joined the Company in January 2016 and has served as the assistant president until March 2023. Prior to joining the Company, Ms. Li worked at the Hebei Communications Administration (河北省通信管理局) from July 2002 to December 2004, and served as the marketing manager of Beijing CCTV Information Technology Co., Ltd. (北京央視資訊科技有限公司) from July 2005 to October 2011. From November 2011 to October 2012, she was the public relations manager of ChinaCache Network Technology (Beijing) Co., Ltd.(藍汛網絡科技(北京)有限公司). From November 2012 to June 2014, she was the director of marketing department of Beijing Kingsoft Cloud Network Technology Co., Ltd. (北京金山雲網絡技術有限公司), and from June 2014 to April 2015, she was the director of marketing department of Beijing Wisdom Media Holding Co., Ltd. (北京智美傳媒股份有限公司). Ms. Li graduated from Hebei University of Science and Technology in June 2002 with a bachelor's degree in computer management.

Biographies of Directors, Supervisors and Senior Management (continued)

JOINT COMPANY SECRETARIES

Ms. Bao Jie (鮑潔) was appointed as a joint company secretary of the Company on 14 September 2021. For Ms. Bao Jie's biographical details, please refer to the biographies set out in the "SENIOR MANAGEMENT" of this section.

Dr. Ngai Wai Fung (魏偉峰), aged 62, was appointed as a joint company secretary of the Company on 15 November 2011. Dr. Ngai currently is a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited. Dr. Ngai has over 30 years of professional practice and senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and company secretarial work for listed issuers including major red chip companies. Dr. Ngai is a fellow of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), a fellow of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), a member of The Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants in the United Kingdom and a member of The Chartered Institute of Arbitrators. Dr. Ngai holds a master's degree in business administration from Andrews University of the United States, a bachelor's degree (Honours) in Law from the University of Wolverhampton, the United Kingdom, a master's degree in corporate finance from the Hong Kong Polytechnic University and a doctorate degree of economics (majoring in finance) from the Shanghai University of Finance and Economics.

Report of Directors

The Board hereby presents the annual report for the year ended 31 December 2023, together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL BUSINESS

The principal business of the Group is to provide platform services, application services and value-added data-based services for MSEs in the PRC, with a focus on financial and business management cloud services. Details of businesses of the major subsidiaries of the Company are set out in note 1 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2023 and the financial information of the Group as at 31 December 2023 are set out in the audited consolidated financial statements of this report.

BUSINESS REVIEW

Business review during the Reporting Period and discussion on the future business development of the Group are set out in the Chairman's Statement and the Management Discussion and Analysis of this annual report. Description of principal risks and uncertainties that the Group may be confronted with and the policy responses and potential opportunities of the Group are set out in the "Major Risks and Uncertainties" of the Management Discussion and Analysis and in "PROSPECT" of the Chairman's Statement, while financial risk management objectives and policies of our Group are set out in the note 37 to the financial statements. The significant events of the Group after the Reporting Period and performance analysis of the Group within the year based on key financial performance indicators are set out in the Management Discussion and Analysis. Policy and performance in relation to environmental protection of the Group are contained in this Report of Directors and the 2023 Environmental, Social and Governance Report of the Company. Information related to investor relationship are set out in the Corporate Governance Report, and compliance with relevant laws and regulations that have a significant impact on the Group are set out in this Report of Directors. Explanation on the relationship between the Company and its employees, customers, suppliers and those who have a significant impact on the Company are set out in the "EMPLOYEE AND ORGANIZATION GUARANTEE", "REMUNERATION POLICY", "PENSION SCHEME", "EMPLOYEE TRUST BENEFIT SCHEME", "LONG-TERM EMPLOYEE INCENTIVE POINT SCHEME", "EMPLOYEE SHARE OWNERSHIP SCHEME", "LONG-TERM INCENTIVE BONUS SCHEME" and "MAJOR CLIENTS AND SUPPLIERS" of this Report of Directors as well as the 2023 Environmental, Social and Governance Report of the Company.

SHARE CAPITAL, ISSUE OF NEW SHARES AND DEBENTURES

The share capital structure of the Company as at 31 December 2023 is as follows:

Class of Shares	Number of Shares	Approximate percentage of the total issued share capital
Domestic Shares	243,272,499	74.68%
H Shares	82,500,000	25.32%
Total	325,772,499	100%

The Company did not issue any new shares or debentures for the year ended 31 December 2023.

DIVIDEND POLICY AND DIVIDENDS

Reference is made to the announcement of the Company dated 15 March 2019, in relation to the adoption of dividend policy as approved by the Board on 15 March 2019. The payment of the dividend by the Company shall be subject to the Company Law, the Listing Rules, the Articles of Association and any restrictions under any other applicable laws, rules and regulations. The Company shall seek opinions of the Shareholders of the Company, in particular, the minority Shareholders, and independent non-executive Directors as sufficiently as possible, prioritize a reasonable return to the investors while giving full consideration to the sustainable development of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Company shall mainly take into account, inter alia:

(1) the Group's operating conditions and market environment;

(2) the Group's general financial position;

(3) the actual and future operating and liquidity capital of the Group;

(4) after-tax profit and the distributable profits of the Company and the Group;

(5) the Group's development plans and expected working capital requirements;

(6) the expectations of the Shareholders and investors of the Company and the industry practices;

(7) the continuity and stability of the dividend distribution policy; and

(8) any other factors that the Board of the Company deems appropriate.

The Board did not recommend the distribution of any final dividend for the year ended 31 December 2023 (2022: Nil).

During the Reporting Period, there is no arrangement made by any Shareholder on waiving or agreeing to waive any dividend.

TAXATION

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-share Shareholders who are Overseas Non-resident Enterprises by Chinese Resident Enterprises (Guoshuihan [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) published by the State Administration of Taxation, when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H-share shareholders who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. According to this, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to overseas non-resident enterprise shareholders as appeared on the H Share register of members of the Company. Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore their dividends receivables will be subject to the withholding of the corporate income tax.

Pursuant to the applicable provisions of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation regulations and provisions relating to the Announcement of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residential Taxpayers under Tax Treaties (Announcement issued by State Administration of Taxation 2019 No. 35) (《國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》(國家稅務總局公告2019年第35號)) ("**Notice of Tax Treaty**"), the Company will implement the following arrangements in relation to the withholding of individual income tax for the individual holders of H Shares:

For individual holders of H Shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of final dividend;

For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the relevant shareholders shall file, report according to the provisions of the Notice of Tax Treaty and enjoy treaty benefits as well as retain the relevant materials for future reference. If the information submitted is complete, the Company will withhold and pay individual income tax in accordance with the provisions of PRC tax laws and the Notice of Tax Treaty. If the relevant individual holders of H Shares do not submit the information or the information submitted is not complete, the Company will withhold and pay individual income tax for individual holders of H Shares at a tax rate of 10%;

For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of over 10% but less than 20%, the Company shall withhold individual income tax at the agreed actual rate in accordance with the relevant tax treaty on behalf of such individual holders of H Shares in the distribution of final dividend; and

For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or which has not entered into any tax agreement with China, or otherwise, the Company shall withhold the individual income tax at a rate of 20% on behalf of such individual holders of H Shares in the distribution of final dividend.

The Company will implement the above-mentioned arrangements in relation to the withholding of income tax for the shareholders of H Shares, subject to arrangements as otherwise required by tax authorities.

PUBLIC FLOAT

As at the Latest Practicable Date, based on the available public information of the Company, so far as the Directors are aware of, the Company has met the requirements of public float under the Rule 8.08 of the Listing Rules.

DIRECTORS AND SUPERVISORS

The table below sets out certain information of Directors and Supervisors during the Reporting Period and as at the date of this report:

Name	Position
Wang Wenjing (王文京)	Chairman, non-executive Director
Wu Zhengping (吳政平)	Non-executive Director
Yang Yuchun (楊雨春)	Executive Director, President
Lau, Chun Fai Douglas (劉俊輝)	Independent non-executive Director
Wu Xiaoqing (吳小慶)	Independent non-executive Director
Chen, Kevin Chien-wen (陳建文) [Note]	Independent non-executive Director (retired on 8 September 2023)
Cui Qiang (崔強) [Note]	Independent non-executive Director (appointed on 8 September 2023)
Guo Xinping (郭新平)	Chairman of the Supervisory Committee, Shareholder representative Supervisor
Zhang Peilin (章培林)	Shareholder representative Supervisor
Ruan Guangli (阮光立)	Independent Supervisor
Ma Yongyi (馬永義)	Independent Supervisor
Ren Jie (任潔)	Employee representative Supervisor
Xia Yuhan (夏玉晗)	Employee representative Supervisor

The personal information of Directors and Supervisors is set out in the section headed "Biographies of Directors, Supervisors and Senior Management".

Note: Mr. Chen, Kevin Chien-wen has retired as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee in order to devote more time to handle other matters. On 8 September 2023, the extraordinary general meeting of the Company has approved the appointment of Mr. Cui Qiang as an independent non-executive Director in place of Mr. Chen, Kevin Chien-wen. For details, please refer to the announcements of the Company dated 16 August 2023 and 8 September 2023, and the circular of the Company dated 23 August 2023.

DISCLOSURE OF INTERESTS

Interests and short positions of Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at 31 December 2023, the interests or short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange are as follows:

Name of Directors/ Supervisors	Nature of interest	Relevant corporation (including associated corporation)	Number and class of shares of the relevant corporation (including associated corporation) held[1]	Approximate percentage of shareholdings in the total share capital of the Company/ relevant corporation (including associated corporation)[2]	Approximate percentage of shareholdings in the relevant class of share capital of the Company[3]
Directors					
Mr. Wang Wenjing	Interest in a controlled corporation[4]	The Company	216,146,041 Domestic Shares (L)	66.35%	88.85%
	Interest in a controlled corporation[4]	Yonyou[5]	1,421,079,511 shares (L)	41.57%	N/A
	Interest in a controlled corporation	Happiness Investment[6]	N/A[6]	60%[6]	N/A
	Interest in a controlled corporation	Yonyou Up[7]	N/A[7]	100%[7]	N/A
Mr. Wu Zhengping[8]	Beneficial owner	Yonyou[5]	1,867,450 shares (L)	0.05%	N/A
	Interest in a controlled corporation	Yonyou[5]	80,361,271 shares (L)	2.35%	N/A
	Beneficial owner	Happiness Investment[6]	N/A[6]	15%[6]	N/A
Supervisors					
Mr. Guo Xinping[9]	Interest in a controlled corporation	Yonyou[5]	128,080,000 shares (L)	3.75%	N/A
Mr. Zhang Peilin	Beneficial owner	Yonyou[5]	1,629,589 shares (L)	0.05%	N/A

Notes:

(1) (L) – long position.

(2) The calculation was based on the total number of 325,772,499 Shares of the Company in issue as at 31 December 2023.

(3) The calculation was based on the total number of 243,272,499 Domestic Shares of the Company in issue as at 31 December 2023.

(4) Mr. Wang Wenjing is the beneficial owner of 100%, 85.15% and 79.64% of the equity interest of Beijing Yonyou Technology Co., Ltd. (北京用友科技有限公司), Shanghai Yonyou Consultant Co., Ltd. (上海用友科技諮詢有限公司) and Beijing Yonyou Enterprise Management Research Co., Ltd. (北京用友企業管理研究所有限公司), respectively, which in turn held 921,161,630 shares (including 6,195,787 shares that Beijing Yonyou Technology Co., Ltd. (北京用友科技有限公司) has agreed to donate to Jiangxi University of Finance and Economics Education Development Foundation (江西財經大學教育發展基金), the transfer procedures of which will commence after 12 November 2026 and the completion date will be the day on which the transfer procedures are completed), 392,069,275 shares and 107,848,606 shares of Yonyou, respectively, accounting for approximately 26.95%, 11.47% and 3.15% of the issued shares of Yonyou, respectively, as at 31 December 2023. Therefore, Mr. Wang Wenjing is deemed to be interested in the shares held by Yonyou.

(5) Yonyou is the holding company of the Company and therefore an associated corporation of the Company. As at 31 December 2023, Yonyou directly and indirectly held 216,146,041 Domestic Shares of the Company, which accounted for approximately 66.35% of the total share capital of the Company.

(6) Happiness Investment is a limited liability company incorporated in the PRC with a registered capital of RMB10.00 million and does not have any issued shares under the PRC laws. As the shareholding percentage of Yonyou in Happiness Investment is 60%, Happiness Investment is deemed as a controlled corporation of Mr. Wang Wenjing. In addition, the shareholding percentage of Mr. Wu Zhengping in Happiness Investment is 15%. As at 31 December 2023, Happiness Investment held 1,006,176 Domestic Shares of the Company, representing approximately 0.31% of the total share capital of the Company.

(7) Yonyou Up Information Technology Co., Ltd (用友優普信息技術有限公司) ("**Yonyou Up**") is a limited liability company incorporated in the PRC with a registered capital of RMB200.00 million and does not have any issued shares under the PRC laws. Yonyou Up is a wholly-owned subsidiary of Yonyou, and Yonyou holds 100% interests of Yonyou Up. Therefore, Yonyou Up is deemed as a controlled corporation of Mr. Wang Wenjing. As at 31 December 2023, Yonyou Up held 13,660,228 Domestic Shares of the Company, representing approximately 4.19% of the total share capital of the Company.

(8) As at 31 December 2023, Mr. Wu Zhengping directly held approximately 0.05% of the issued shares of Yonyou, and Gongqingcheng Youfu Investment Management Partnership Enterprise (LLP) (共青城優富投資管理合夥企業(有限合夥)) ("**Gongqingcheng Youfu**") held approximately 2.35% of the issued shares of Yonyou. Mr. Wu Zhengping is the beneficial owner of 80% equity interest of Gongqingcheng Youfu. Therefore, Mr. Wu Zhengping is deemed to be interested in the shares of Yonyou held by Gongqingcheng Youfu.

(9) As at 31 December 2023, Shanghai Yibei Management Consulting Co., Ltd. (上海益倍管理諮詢有限公司) ("**Shanghai Yibei**") held approximately 3.75% of the issued shares of Yonyou. Mr. Guo Xinping is the beneficial owner of 90% equity interest of Shanghai Yibei. Therefore, Mr. Guo Xinping is deemed to be interested in the shares of Yonyou held by Shanghai Yibei.

Report of Directors (continued)

Directors' and Supervisors' rights in the subscription of Shares or debentures

As at 31 December 2023, Mr. Yang Yuchun, a Director, had Trust Benefit Units under the Employee Trust Benefit Scheme and held 2,141,574 Domestic Shares through the Shareholding Platform under the Employee Share Ownership Scheme. For details, please refer to the announcement of the Company dated 5 June 2017 and the "EMPLOYEE TRUST BENEFIT SCHEME" and the "EMPLOYEE SHARE OWNERSHIP SCHEME" in this Report of Directors.

Save as disclosed above, no right to subscribe for the Shares in or debentures of the Company or other corporations was granted by the Company, subsidiaries of the Company, the parent Company and/or its subsidiaries to any Director, Supervisor of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

Interests and short positions of the Substantial Shareholders in the Shares and underlying Shares of the Company

As at 31 December 2023, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of Part XV of the SFO, the Substantial Shareholders (other than the Directors, the Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

Name of Shareholders	Number and class of Shares held(1)	Nature of interest	Approximate percentage of shareholdings in the total share capital of the Company(2)	Approximate percentage of shareholdings in the relevant class of share capital of the Company(3)
Yonyou(4)	201,479,637 Domestic Shares (L)	Beneficial owner		
	14,666,404 Domestic Shares (L)	Interest in a controlled corporation		
	Total: 216,146,041 Domestic Shares (L)		66.35%	88.85%
UBS Group AG	15,026,887 H Shares (L)	Interest in a controlled corporation	4.61%	18.21%
Gaocheng Fund I, L.P.(5)	8,250,000 H Shares (L)	Beneficial owner	2.53%	10.00%
Gaocheng Holdings GP, Ltd(5)	8,250,000 H Shares (L)	Interest in a controlled corporation	2.53%	10.00%
Tsing Young Holding Limited(5)	8,250,000 H Shares (L)	Interest in a controlled corporation	2.53%	10.00%
Hong Jing (洪婧)(5)	8,250,000 H Shares (L)	Interest in a controlled corporation	2.53%	10.00%

Notes:

(1) (L) – long position.

(2) The calculation was based on the total number of 325,772,499 Shares of the Company in issue as at 31 December 2023.

(3) The calculation was based on the number of 243,272,499 Domestic Shares in issue and 82,500,000 H Shares in issue of the Company as at 31 December 2023, respectively.

(4) As at 31 December 2023, Yonyou directly held 201,479,637 Domestic Shares, indirectly held 1,006,176 Domestic Shares through Happiness Investment and indirectly held 13,660,228 Domestic Shares through Yonyou Up, respectively. As each of Happiness Investment and Yonyou Up is a controlled corporation of Yonyou, Yonyou is deemed to be interested in the Domestic Shares held by Happiness Investment and Yonyou Up.

(5) According to the notice of disclosure of interest filed by Gaocheng Fund I, L.P. on 25 May 2021, Gaocheng Fund I, L.P. held 5,500,000 H Shares. Given that the Company completed the Capitalization Issue in October 2021 on the basis of five (5) Capitalization Shares for every ten (10) Shares by way of capitalization of capital reserve to all the Shareholders, it's calculated that Gaocheng Fund I, L.P. held 8,250,000 H Shares as at 31 December 2023, which accounted for approximately 2.53% of the total share capital of the Company. Gaocheng Holdings GP, Ltd, held 1.58% equity interest of Gaocheng Fund I, L.P. as its general partner. Gaocheng Holdings GP, Ltd is wholly-owned by Tsing Young Holding Limited, which is in turn wholly-owned by Hong Jing. Therefore, Hong Jing, Tsing Young Holding Limited and Gaocheng Holdings GP, Ltd are all be deemed to be interested in the 8,250,000 H Shares held by Gaocheng Fund I, L.P..

Save as disclosed above, as at 31 December 2023, so far as the Directors, the Supervisors and the chief executive of the Company are aware of, no other persons had any interests and/or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

MAJOR CLIENTS AND SUPPLIERS

As the consolidated turnover from the five largest clients of the Group was no more than 30% of the total turnover of the Group in 2023, the Group is not subject to the risk of relying on major clients. Except for a few of the clients who are granted an average trade credit term around 90 days by the Group, the majority of the Group's clients are required to make payments in advance. For strategic and key clients, the Group's trading credit terms could be extended appropriately.

For the year ended 31 December 2023, the total purchases made by the Group from the five largest suppliers was no more than 30% of the total purchases of the year.

USE OF PROCEEDS

The Company's H Shares were listed and traded on the Hong Kong Stock Exchange on 26 June 2014, from which the Company raised proceeds totaling HK$900.90 million. After deducting relevant expenses of issuance, the net proceeds were HK$854.96 million. The Company disclosed in the Prospectus that the net proceeds raised from the listing shall be used for the following purposes within two years. To the extent that the net proceeds are not immediately applied to the purposes below, the Company intends that such proceeds will be placed in short-term interest-bearing instruments or money market funds with licensed banks or financial institutions in the PRC or Hong Kong.

According to the intended use of proceeds disclosed in the Prospectus by the Company, the actual usage and intended timetable for use of the unutilised proceeds as at 31 December 2023 are detailed as follows:

Planned use	Budgeted amount	Amount used during the Reporting Period	Accumulated amount used	unutilised amount	Intended timetable for use of the unutilised amount
	HK$	*HK$*	*HK$*	*HK$*	
For the R&D and marketing of the T+ series software products	Approximately 290.69 million	Approximately 4.89 million	Approximately 290.69 million	–	N/A
For the R&D of cloud platform and innovative application products	Approximately 194.08 million	–	Approximately 194.08 million	–	N/A
To support the marketing and operation of cloud services	Approximately 199.21 million	–	Approximately 199.21 million	–	N/A
To acquire relevant business and assets compatible with business strategies	Approximately 85.49 million	–	Approximately 4.66 million	Approximately 80.83 million	On or before 31 December 2025 and subject to the identification of target(s) by the Company
To fund general working capital	Approximately 85.49 million	–	Approximately 85.49 million	–	N/A
Total	Approximately 854.96 million	Approximately 4.89 million	Approximately 774.13 million	Approximately 80.83 million	

As at 31 December 2023, the unutilised proceeds of the Company are the funds for acquisition of relevant business and assets compatible with our business strategies, mainly due to the fact that the Company has not yet identified any relevant business and assets compatible with our business strategies. The balance of the net unutilised proceeds of the Company has been deposited into the reputable banks in Hong Kong and the PRC, and the Company will continue to utilise it in a manner consistent with the planned usages of the proceeds as disclosed in the Prospectus in accordance with the abovementioned intended timetable.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2023, the new property, plant and equipment of the Group amounted to RMB0.79 million (2022: RMB3.33 million). Details of the movements are set out in note 13 to the financial statements.

DISTRIBUTABLE RESERVES

Details of the Company's reserves are set out in note 39 to the financial statements. As at 31 December 2023, the Company had no retained earnings (31 December 2022: Nil) as reserves available for distribution to Shareholders.

EMPLOYEE AND ORGANIZATION GUARANTEE

As at 31 December 2023, the Group had 1,110 employees in total (31 December 2022: 1,207 employees), representing a decrease of 8% from the end of the previous year. During the Reporting Period, in order to support the development of business scale and efficiency, the Group continued to optimize its organizational structure, create a marvelous team and improve staff efficiency, and continuously promote organizational vitality through the change of performance management, thereby comprehensively improving and enhancing its organizational capabilities. In terms of team building, the Group also strengthened the construction and cultivation of a senior talent team of cadres and experts and core talents in key positions, and created an empowerment system in the form of practical skill training. In terms of talent retention and employee motivation, by implementing various measures such as long-term incentive, reform of remuneration package and cultural construction, the Group stimulated the enthusiasm and creativity of the members of management team and core backbone employees, so as to continuously improve their organizational competitiveness.

Report of Directors (continued)

TRAINING PROGRAMS

In pursuance with Chanjet Employees Training Management System (《暢捷通員工培訓管理制度》) and Chanjet Lecturers and Courses Management Measures (《暢捷通講師與課程管理辦法》), the Group has established and implemented an annual training plan. Meanwhile, taking into account the applicability of the training needs, the Group has communicated with each department on the training needs in a timely manner, and established a matching training course system based on those needs. Through the development mechanism of double channels of cadres and experts, training projects are produced alternately to meet the training needs of employees at each department and level and different development channels.

The Group regarded employee development as the foundation of the Company's development, and constantly improved the professionalism and comprehensive skills of employees to help employees better realize their own value at work. During the Reporting Period, the Group was committed to meeting the needs of talent development for organizational development, the needs of change in ability arising from the development of the business strategy and the needs of creating a learning atmosphere for the construction of organizational culture, providing empowerment programs and promoting their implementation by teams, levels and phases, as well as promoting staff training and dissemination of the Company's culture through the training operations and the system of in-house lecturers. The Company carried out trainings for new employees on the development history of the enterprise, knowledge on the products and businesses and financial and human resources policies, etc.; carried out professional knowledge, industry cutting-edge theoretical training courses and special training camps for general employees; and carried out training courses for reserve cadres and key personnel on management knowledge and skills enhancement. The Group valued training results and issued training satisfaction questionnaires after each training. Through analyzing the questionnaires and listening to employees' feedbacks, we continuously improved the training system.

REMUNERATION POLICY

The Remuneration and Appraisal Committee was established under the Board, which is mainly responsible for the appraisal of the Directors and senior management and reviewing their remuneration, and providing advice and recommendations. Directors (other than independent non-executive Directors) and Supervisors (other than independent Supervisors) do not receive any remuneration from the Company for their directorships or supervisorships. Mr. Yang Yuchun (an executive Director), Ms. Ren Jie and Ms. Xia Yuhan (the employee representative Supervisors) are in charge of management or business of the Company and receive remuneration from the Company for their positions of management or business leader of the Company. The allowances of independent non-executive Directors and independent Supervisors are determined by taking into account, among other things, the remuneration paid by similar companies, time commitment and responsibilities and determined at the general meeting of the Company. Each independent non-executive Director is entitled to receive an allowance of RMB150,000 (tax inclusive) per year while each independent Supervisor is entitled to receive an allowance of RMB80,000 (tax inclusive) per year. The Remuneration and Appraisal Committee will consider the remuneration policy of senior management and then propose to the Board for approval. Such remunerations are determined mainly based on the principles of fairness, linkage to performance, combination of short-term and long-term incentives, and combination of incentives and constraints, wherein fairness refers to the competitiveness of the remuneration offered by the Company compared with the income level of equivalent positions in the market; and the remuneration of each position within the Company reflects the value of the position to the Company and the unity of "responsibilities, rights and benefits".

The Group has established a market-based, competitive and performance-oriented remuneration policy with reference to market standards, employee performance and contributions. Remuneration of the staff of the Group is determined by taking into consideration their respective rank of positions, segment, business line, region, etc. Remuneration of the staff includes basic salary, performance-based bonus and allowance. In particular, basic salary is payable monthly while performance-based bonus is payable in appropriate forms based on each appraisal period and specific management requirements of the Company pursuant to the relevant laws and regulations of the PRC. Allowance comprises work allowance, public welfare and statutory welfare, etc. The Group has paid housing fund and social security insurance for its employees on a monthly basis in compliance with relevant national and local laws and regulations regarding labour and social security insurance which includes pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance, etc. During the Reporting Period, details of the remuneration of the staff charged to the Group were set out in the note 6 to the financial statements. In order to attract, retain and motivate key talents needed for the achievement of the Company's strategic objectives, the Company has adopted the Employee Trust Benefit Scheme, the Point Scheme, the Employee Share Ownership Scheme and the Long-term Incentive Bonus Scheme. For details, please refer to "EMPLOYEE TRUST BENEFIT SCHEME", "LONG-TERM EMPLOYEE INCENTIVE POINT SCHEME", "EMPLOYEE SHARE OWNERSHIP SCHEME" and "LONG-TERM INCENTIVE BONUS SCHEME" in the Report of Directors.

Report of Directors (continued)

PENSION SCHEME

Details of pension scheme of the Group are set out in note 2.4 and note 6 to the financial statements.

EMPLOYEE TRUST BENEFIT SCHEME

The Company adopted the Employee Trust Benefit Scheme at the annual general meeting convened on 8 June 2015, and amended the scheme at the annual general meeting convened on 18 May 2016. The Employee Trust Benefit Scheme is a long-term incentive scheme designed for the scheme participants of the Company and its subsidiaries, with the Company's Domestic Shares and/or H Shares as target shares, trust beneficial right subject to effective conditions as incentive tool and Trust Benefit Units determined by the trustees as unit of measurement. For details about the specific terms of and amendments to the Employee Trust Benefit Scheme, please refer to the announcements of the Company dated 13 April 2015, 8 June 2015, 31 March 2016 and 18 May 2016, and the circulars of the Company dated 23 April 2015 and 29 April 2016, respectively. Capitalized terms used in this section shall have the same meanings as those defined in the above announcements and circulars.

1. Summary of the Employee Trust Benefit Scheme

(1) Purposes

Through the establishment of the Employee Trust Benefit Scheme, (i) the Company intends to combine the remuneration income of mid-level and senior management, experts and core personnel with the operation target of the Company, to align the work performance of the Scheme Participants with the strategic goal of the Company, so as to speed up the realization and fast development of such strategic goal; (ii) the Company intends to closely link the benefit of the Shareholders with that of the Scheme Participants in order to maximize the value of the Company; (iii) through the improvement of the incentive constraint mechanism, the Company, by providing competitive remuneration package, intends to attract, retain and inspire the mid-level and senior management, experts and core personnel, who are essential for the Company in realizing its strategic goal.

(2) Participants

The Scheme Participants under the Employee Trust Benefit Scheme are employees of the Company and its subsidiaries including mid-level and senior management, experts and core personnel who are essential for realizing the strategic goal of the Company.

(3) *Total number of target shares*

The total number of the target shares involved under the Employee Trust Benefit Scheme shall be 10% of the total share capital of the Company in issue as at the date of the approval of the Employee Trust Benefit Scheme at the annual general meeting (i.e. 8 June 2015), being 21,718,166 shares out of 217,181,666 shares and is subject to relevant adjustments. The Employee Trust Benefit Scheme does not involve the issuance of shares.

(4) *Purchase price and its determination basis*

In order to implement the Employee Trust Benefit Scheme, the Company entrusted the Trustees to establish trusts holding Domestic Shares and/or H shares. The Trustees shall purchase the target shares from the Domestic Shareholders (for the Domestic Shares) and/or from the secondary market (for the H Shares). The H Shares to be purchased by the Trustees under the Employee Trust Benefit Scheme shall be at the then market price. Each of the price of the Domestic Shares shall be the average closing price of the H Shares of ninety trading days preceding the execution date of the respective share transfer agreements.

(5) *Consideration*

The Scheme Participants does not need to pay any consideration for applying for or accepting the total Trust Benefit Units.

(6) *Cap of the Trust Benefit Units that can be granted*

There is no cap on the number of the Trust Benefit Units that can be granted to each Scheme Participant under the Employee Trust Benefit Scheme.

(7) *Grant Date, Lock-up Period and Unlocking Dates, Exercise Period*

According to the Employee Trust Benefit Scheme, the Trust Benefit Units shall be granted to the Scheme Participant through Initial Grant, Subsequent Grant(s) and Re-grant(s). For each Grant, there are three Unlocking Dates, being the expiry dates of the first anniversary, second anniversary and third anniversary of the Grant Date, subject to the Unlocking Conditions and upon expiry of which, 30%, 30% and 40% of the Trust Benefit Units granted to each Scheme Participant shall be unlocked. The Lock-up Period is from the Grant Date to each of the aforesaid Unlocking Dates, during which the disposal of the Trust Benefit Units is prohibited. The details of the Grant Date and Unlocking Dates of the Trust Benefit Units under the Employee Trust Benefit Scheme are as follows:

No. of Grant	Grant Date	First Unlocking Date (unlock 30%)	Second Unlocking Date (unlock 30%)	Third Unlocking Date (unlock 40%)
Initial Grant	16 June 2015	16 June 2016	16 June 2017	16 June 2018
Subsequent Grant(s)				
Second Grant	31 March 2016	31 March 2017	31 March 2018	31 March 2019
Third Grant	6 December 2016	6 December 2017	6 December 2018	6 December 2019
Re-grant(s)				
Fourth Grant	5 June 2017	5 June 2018	5 June 2019	5 June 2020

Upon satisfaction of the Unlocking Conditions, the Trust Benefit Units granted to the Scheme Participants shall take effect and be unlocked. The Scheme Participants may apply for exercise of the unlocked Trust Benefit Units within the Exercise Period and achieve the benefit. The Exercise Period for the Scheme Participants excluding Directors, Supervisors and senior management of the Company is within three years after the Unlocking Date. The Scheme Participants who are Directors, Supervisors and senior management of the Company can apply for exercising the Trust Benefit Units from the Unlocking Date to the date of liquidation of the trusts as prescribed in the trust deeds between the Company and the Trustees.

(8) Remaining Life

The validity period of the Employee Trust Benefit Scheme is eight years from the date of approval of the Scheme at the annual general meeting convened on 8 June 2015, therefore, the Employee Trust Benefit Scheme was completed on 7 June 2023.

2. Details of Grant and Unlocking of the Trust Benefit Units during the Reporting Period

As of 5 June 2020, the Company has fully completed the grant and unlocking of the Trust Benefit Units under the Employee Trust Benefit Scheme. Relevant Scheme Participants may apply for the corresponding exercise of Scheme Participants during the Exercise Period. Therefore, during the Reporting Period, there was no situation related to the grant, unlocking, cancellation or lapse of Trust Benefit Units under the Employee Trust Benefit Scheme.

3. Others

As at the end of the Reporting Period, the subject shares held in trust by the trustee under the Employee Trust Benefit Scheme amounted to 8,142,400 shares, representing approximately 2.50% of the total number of Shares of the Company in issue. As at the end of the Reporting Period, the accumulated amount of proceeds used by the Company for the Employee Trust Benefit Scheme was approximately HK$74.93 million.

LONG-TERM EMPLOYEE INCENTIVE POINT SCHEME

In order to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company, promote the strategic transformation of the Company, and build a global leading financial and management service platform for MSEs, the Board has approved the adoption of the Point Scheme on 29 March 2019. In order to give full play to realise the purpose of continuing incentive of the Point Scheme, on 25 May 2020, the Board has, pursuant to the Point Scheme, considered and approved the resolution to amend a term of the Point Scheme in relation to the limit on the number of points to be granted. According to the amended Point Scheme, a certain number of points will be granted by the Company to the participants annually over a three-year period during the validity period of the Point Scheme. After the conditions precedent for the points have been satisfied, the number of effective points shall be determined in accordance with annual performance, and the point proceeds shall be calculated accordingly. The point proceeds shall be redeemed in cash and distributed to the participants in installments. The total number of effective points after being granted during the validity period of the Point Scheme shall not exceed 150,000 points. For details on the specific terms of and amendments to the Point Scheme, please refer to the announcements of the Company dated 29 March 2019 and 25 May 2020, respectively.

In light of the adoption of the Employee Share Ownership Scheme and the Long-term Incentive Bonus Scheme by the Company on 28 December 2020, the Board considered and approved the cancellation of the granting of points to the participants in 2021 (the "**Cancellation of 2021 Point Grant**"). For details, please refer to the announcement of the Company dated 28 December 2020. The Cancellation of 2021 Point Grant will not affect the validity of the points granted pursuant to the Point Scheme. The distribution of the last batch of point proceeds of the 60,655 points granted under the 2019 initial point grant and the 2019 supplemental point grant which have become effective has been completed in May 2022, and that of the 49,174.28 points granted under the 2020 initial point grant and the 2020 supplemental point grant which have become effective has been completed in June 2023. As at the end of the Reporting Period, the Point Scheme has been completed.

EMPLOYEE SHARE OWNERSHIP SCHEME

The Company approved and adopted the Employee Share Ownership Scheme at the extraordinary general meeting held on 28 December 2020. For details of the Employee Share Ownership Scheme, please refer to the announcements of the Company dated 23 November 2020 and 28 December 2020 and the circular of the Company dated 10 December 2020. Capitalized terms used in this section shall have the same meanings as those defined in the above announcements and circular.

In order to better utilise the sustainable incentive function of the Employee Share Ownership Scheme and increase the flexibility in the implementation of the Scheme, without prejudice to the interests of the Company and its Shareholders as a whole, and taking into account the actual situation and market practice, the Company proposes to amend the provisions of the Employee Share Ownership Scheme relating to the realization price of the incentive shares upon satisfaction of the unlocking conditions. Also, in order to maintain a clear context, the Company proposes to adjust certain wordings of the Employee Share Ownership Scheme. Please refer to the Company's circular dated 24 April 2024 for details of the amendments to the Employee Share Ownership Scheme.

Report of Directors (continued)

1. Summary of the Employee Share Ownership Scheme

(1) Purposes

The purposes of the Employee Share Ownership Scheme are as follows: (i) to facilitate the alignment of the understanding of the employees and the Company in relation to the medium and long-term strategic goals and the capital plan of the Company and jointly promote sustainable, healthy and rapid growth of the business of the Company; (ii) to motivate the initiative, enthusiasm and creativity of the existing employees of the Company, and to enhance the sense of responsibility, commitment and cohesiveness of the operation management team and the key personnel of the Company on the development of the Company; and (iii) to improve the incentive constraint mechanism of the Company to attract, retain and inspire the mid-level and senior management and key personnel, who are essential for the Company in realizing its strategic goal.

(2) Participants

The Employee Share Ownership Scheme Participants are full-time mid to senior level management personnel, experts and other key personnel of the Company and its subsidiaries.

(3) Total number of the incentive shares

The total number of incentive shares that may be granted under the Employee Share Ownership Scheme shall not exceed 15,412,716 Domestic Shares, representing approximately 7.10% of the total issued share capital of the Company as at the date of the adoption of the Employee Share Ownership Scheme as approved by the extraordinary general meeting (i.e. 28 December 2020). On 28 December 2020, the Board has considered and approved the grant of the incentive shares under the Employee Share Ownership Scheme, being 15,412,716 Domestic Shares, representing 100% of the total number of incentive shares available for grant under the Employee Share Ownership Scheme, to 158 Employee Share Ownership Scheme Participants. The incentive shares come from the transfer of the controlling Shareholder. The Employee Share Ownership Scheme does not involve the issuance of shares.

(4) Purchase price and its determination basis

The incentive shares were transferred to the Shareholding Platform by the controlling Shareholder, Yonyou on 23 November 2020 at a price of RMB9.16 per share (which is equivalent to 90% of the closing price of the H Shares on the trading day immediately prior to the date of the proposed adoption by the Board of the Employee Share Ownership Scheme), and were subject to the lock-up provisions under the Employee Share Ownership Scheme. According to the provisions of the Employee Share Ownership Scheme, the funds involved in the holding of the incentive shares shall be contributed in cash and paid in one lump sum by the Employee Share Ownership Scheme Participants at the aforementioned price of RMB9.16 per share, and the source of which shall be their lawful salaries, self-raised funds and other methods as permitted under the laws and regulations. The Scheme Participants does not need to pay other fees for applying for or accepting the incentive shares.

(5) ***Grant Date and cap of the incentive shares that can be granted***

The Grant Date of the Employee Share Ownership Scheme is 28 December 2020. There is no cap on the number of the incentive shares that can be granted to each Scheme Participant under the Employee Share Ownership Scheme.

(6) ***Lock-up Period and Unlocking Dates, Exercise Period***

The lock-up Period of the incentive shares shall be two years from the Grant Date, during which the incentive shares (including any Shares derived therefrom as a result of capitalization issues, bonus issue and any shares issued in other circumstances) shall not be transferred, gifted, pledged for guarantee or used for repayment of debts. The incentive shares shall be unlocked in three tranches on the respective unlocking date. The respective unlocking date is the first trading day after the expiry of the second anniversary, third anniversary and fourth anniversary of the grant date (i.e. 28 December 2022, 28 December 2023 and 30 December 2024), upon which and subject to the satisfaction of the unlocking conditions, 40%, 30% and 30% of the incentive shares shall be unlocked. There was no limitation under the Employee Share Ownership Scheme on the maximum period of time for holding the unlocked incentive shares by the Employee Share Ownership Scheme Participants through the Shareholding Platform.

(7) ***Remaining life***

Except for the incentive shares that cannot be unlocked due to failure to meet the unlocking conditions, all incentive shares under the Employee Share Ownership Scheme will be unlocked on 30 December 2024.

The Employee Share Ownership Scheme does not have a life or remaining life as required under Chapter 17 of the Listing Rules and will be terminated upon the occurrence of any of the specified circumstances as set out in the circular of the Company dated 10 December 2020, such as merger and demerger of the Company, change of control of the Company, a certified public accountant issues an auditors' report with adverse opinion or indicates the inability to give an opinion with respect to the financial report of the Company for its most recent accounting year, etc. Please refer to the circular of the Company dated 10 December 2020 for further details.

2. Details of Grant and Unlocking of the Incentive Shares during the Reporting Period

The Company completed the grant of all incentive shares under the Employee Share Ownership Scheme on 28 December 2020 and therefore there was no new grants of incentive shares under the Employee Share Ownership Scheme during the Reporting Period. Details of the changes in the incentive shares during the Reporting Period are set out as follows:

No.	Name	Position	Number of the incentive shares granted on 28 December 2020	Number of the incentive shares granted after Capitalization Issue[Note]	Approximate percentage of the number of the incentive shares granted to the total issued share capital of the Company as at 28 December 2020	Number of the lapsed incentive shares as of 1 January 2023	Number of the locked incentive shares as of 1 January 2023	Number of the lapsed incentive shares in 2023	Number of the incentive shares unlocked in 2023	Accumulated number of the lapsed incentive shares as of 31 December 2023	Number of the incentive shares to be unlocked as of 31 December 2023
					(%)						
1.	**Director and Supervisor**										
	Yang Yuchun	*Executive Director and President*	1,427,716	2,141,574	0.66	–	1,284,944	–	642,472	–	642,472
2.	**The four highest paid employees in 2023 (other than Yang Yuchun)**										
			2,290,000	3,435,000	1.05	–	2,061,000	–	1,030,500	–	1,030,500
3.	**Other Scheme Participants (mid to senior level management personnel, experts and other key personnel of the Company)**										
			11,695,000	17,542,500	5.38	645,000	10,138,500	285,750	4,920,750	930,750	4,932,000
TOTAL			**15,412,716**	**23,119,074**	**7.10**	**645,000**	**13,484,444**	**285,750**	**6,593,722**	**930,750**	**6,604,972**

Note: The Company completed the Capitalization Issue and issued five (5) capitalization shares to all Shareholders of the Company for every ten (10) shares being held by way of the transfer from capital reserve to share capital in October 2021, therefore the number of the incentive shares granted above increased correspondingly.

On 28 December 2022, the Board considered and passed a resolution in relation to unlocking of the first tranche of incentive shares granted under the Employee Share Ownership Scheme. 40% of incentive shares held by the scheme participants who have satisfied the unlocking conditions for the first tranche of incentive shares have been unlocked in accordance with the provisions as stipulated in the Employee Share Ownership Scheme. For details, please refer to the announcement of the Company dated 28 December 2022.

On 28 December 2023, the Board and Remuneration and Appraisal Committee of the Board considered and passed a resolution in relation to unlocking of the second tranche of incentive shares granted under the Employee Share Ownership Scheme. Pursuant to the resolution, 28 December 2023 is the unlocking date of the second tranche of incentive shares. The business performance of the Company for the year of 2022 has reached the appraisal targets set by the Board. Except for some scheme participants who have terminated or rescinded their labor contracts with the Company and individual scheme participant who did not achieve the required individual performance assessment results for the year of 2022 (the incentive shares granted to such scheme participants do not meet the unlocking conditions), the remaining scheme participants have met the individual unlocking conditions as stipulated in the Employee Share Ownership Scheme, as approved by the President Committee. 30% of the total number of incentive shares, being 21,979,074 Domestic Shares held by the above scheme participants who have satisfied the unlocking conditions for the second tranche of incentive shares have been unlocked in accordance with the provisions as stipulated in the Employee Share Ownership Scheme.

LONG-TERM INCENTIVE BONUS SCHEME

In order to improve the incentive constraint mechanism of the Company to attract, retain and inspire the mid-level and senior management and key personnel, who are essential for the Company in realizing its strategic goal, to motivate the initiative, enthusiasm and creativity of the existing employees of the Company, and to facilitate the alignment of the understanding of the employees and the Company in relation to the medium and long-term strategic goals and the capital plan of the Company and jointly promote sustainable, healthy, rapid growth of the business of the Company and realize the comprehensive transformation of cloud business, to achieve the planned strategic goal, the Company approved and adopted a Long-term Incentive Bonus Scheme at the extraordinary general meeting of the Company held on 28 December 2020. For details of the Long-term Incentive Bonus Scheme, please refer to the announcements of the Company dated 23 November 2020 and 28 December 2020 and the circular of the Company dated 10 December 2020.

On 28 December 2020, the Board has considered and approved the list of the participants under the Long-term Incentive Bonus Scheme, which comprises Mr. Yang Yuchun, the executive Director and the President of the Company, and 157 other mid to senior level management personnel, experts and key personnel of the Group. The Bonus shall be awarded in three tranches within three months after each appraisal date upon satisfaction of the corresponding appraisal conditions. The respective appraisal date is the first working day after the expiry of the second anniversary, third anniversary and fourth anniversary of the date of determining the Long-term Incentive Bonus Scheme Participants. The amount of the Bonus payable for the corresponding tranche shall be calculated according to the corresponding proportion of bonuses determined by the Board.

On 28 December 2022, the Board considered and passed a resolution in relation to awarding of the first tranche of Bonus under the Long-term Incentive Bonus Scheme. For details, please refer to the announcement of the Company dated 28 December 2022.

On 28 December 2023, the Board considered and passed a resolution in relation to the appraisal of the second tranche of Bonus under the Long-term Incentive Bonus Scheme. Pursuant to the resolution, 28 December 2023 is the appraisal date for the second tranche of Bonus. The business performance of the Company for the year of 2022 have reached the appraisal targets set by the Board. Except for that some scheme participants who have terminated or rescinded their labor contracts with the Company and withdrawn from the Long-term Incentive Bonus Scheme, and individual scheme participant who did not achieve the required individual performance appraisal results for the year of 2022 (such scheme participant did not meet the appraisal conditions), the remaining scheme participants have met the individual performance appraisal conditions as stipulated in the Long-term Incentive Bonus Scheme, as approved by the President Committee. Based on the business performance of the Company for the year of 2022, the Board considered and determined that the appropriation ratio for the second tranche of Bonus shall be approximately 4.86%, and the total amount of this tranche of Bonus to be awarded to the scheme participants shall be approximately RMB28.98 million (tax inclusive).

Report of Directors (continued)

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remunerations of Directors, Supervisors and the chief executive of the Company are set out in note 8 to the financial statements. The remuneration of other persons who served as the senior management of the Company during the Reporting Period was within the following ranges:

	person(s)
RMB1 million to RMB2 million (inclusive)	**9**
RMB2 million to RMB3 million (inclusive)	**4**
Total	**13**

The abovementioned remunerations are inclusive of the allocated/granted bonus under the Long-term Incentive Bonus Scheme, points under the Point Scheme and incentive shares under the Employee Share Ownership Scheme, which should be included in the current remuneration of such person for their contribution to the Group. For details, please refer to "LONG-TERM EMPLOYEE INCENTIVE POINT SCHEME", "EMPLOYEE SHARE OWNERSHIP SCHEME" and "LONG-TERM INCENTIVE BONUS SCHEME" in the Report of Directors and notes 26 and 29 to the financial statements.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors, with the maximum term of three years. No service contract that cannot be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors or Supervisors and members of the Group.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

Save as disclosed in the section headed "CONNECTED TRANSACTIONS" in this Report of Directors and note 34 to the financial statements, no material transactions, arrangements or contracts relating to the business of the Group, to which the Company or any of its subsidiaries was a party and in which Directors and/or Supervisors of the Company (or entities connected to such Directors and/or Supervisors) still had or has had material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company did not enter into nor had any contracts in relation to the management of the entire or substantial business of the Company.

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

Save as disclosed in the "CONNECTED TRANSACTIONS" in this Report of Directors, during the Reporting Period, neither the Company nor any of its subsidiaries has entered into any material contract with the controlling Shareholders (as defined in the Listing Rules) or any of its subsidiaries. And there is no entering into of any material contract in respect of the services provided by the controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and as at the Latest Practicable Date, save as disclosed below, no permitted indemnity provision which benefits any of the Directors or Supervisors of the Company was in force or is currently in force (whether made by the Company or otherwise) or the Directors or Supervisors of an associated corporation of the Company (if made by the Company).

The Company has arranged appropriate liability insurance for Directors and Supervisors concerning the relevant legal action they may be faced with. Such insurance was in force during the Reporting Period and remained effective as of the Latest Practicable Date.

DONATIONS

During the Reporting Period, no donation was made by the Company (2022: Nil).

Report of Directors (continued)

NON-COMPETITION UNDERTAKINGS

Independent non-executive Directors have reviewed the compliance of the Non-Competition Agreement and its supplemental agreement by Yonyou, the controlling Shareholder of the Company, and Mr. Wang Wenjing (collectively, the "**Covenantors**") as well as the compliance of the Confirmation (defined as below) and the amended Confirmation by Yonyou and its associates (other than the Company and its subsidiaries).

Independent non-executive Directors have confirmed that, the Covenantors have been in compliance with the terms of such agreements from 1 January 2023 to 31 December 2023, details of which are set out as follows:

Non-Competition Agreement and Its Supplemental Agreement

In order to protect the interests of the Company and its Shareholders as a whole, the Covenantors and their respective associates (other than the Company and its subsidiaries) made the following declarations to the Company:

1. The Covenantors entered into the Non-Competition Agreement with the Company in favor of the Company on 17 February 2014, pursuant to which, including but not limited to (among other things), save for the exceptions stipulated in the Non-Competition Agreement, the Covenantors will not and will use their best endeavors to procure their associates shall not, directly or indirectly, at any time during the relevant period, carry out, be engaged in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with other persons and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business in competition or will compete or may compete, directly or indirectly, with the restricted business. In addition, for the existing and future restricted businesses, the Covenantors will provide the Company with pre-emptive rights and the options for acquisition;

2. The Covenantors and the Company entered into the supplemental non-competition agreement on 21 October 2016 (approved at the extraordinary general meeting of the Company held on 30 December 2016), pursuant to which, the payment business shall be excluded from the scope of restricted business under the Non-Competition Agreement;

3. The Covenantors confirmed that, from 1 January 2023 to 31 December 2023, the Covenantors and their respective associates (other than the Company and its subsidiaries) strictly complied with and implemented the provisions of the Non-Competition Agreement and its supplemental agreement, and did not infringe any provisions of the Non-Competition Agreement and its supplemental agreement under any circumstances; and

4. The Covenantors have provided all necessary information to the independent non-executive Directors of the Company for their inspection on the implementation of the Non-Competition Agreement and its supplemental agreement.

Confirmation

In order to guarantee the interests of the Company and its Shareholders as a whole, Yonyou and its associates (other than the Company and its subsidiaries) made the following declarations to the Company:

1. In order to avoid any existing or potential competition, on 11 April 2014, Yonyou issued a written confirmation (the "**Confirmation**") in relation to cloud service business and payment business that (i) neither Yonyou nor any of its associates (other than through the Company) invest in, is engaged in, operate or participate in, or will be engaged in, operate or participate in, directly or indirectly, the public cloud platform and cloud services designed for MSEs; and (ii) neither Yonyou nor any of its associates (other than through the Company and its subsidiary, Chanjet Payment) invest in, is engaged in, operate or participate in, or will engage in, operate or participate in, directly and indirectly, any business that competes or may compete with the payment services of non-financial institutions as defined under the Measures for the Administration of Payment Services of Non- Financial Institutions (《非金融機構支付服務管理辦法》), as amended from time to time;

2. On 21 October 2016, Yonyou amended the Confirmation to the effect that payment business shall be excluded from the relevant undertakings made by Yonyou under the Confirmation, and such amendments were approved at the extraordinary general meeting of the Company held on 30 December 2016;

3. Yonyou confirmed that from 1 January 2023 to 31 December 2023, Yonyou and its associates (other than the Company and its subsidiaries) strictly complied with and implemented the provisions of the Confirmation, and did not infringe any provisions of the Confirmation under any circumstances; and

4. Yonyou has provided all necessary information to the independent non-executive Directors of the Company for their inspection on the implementation of the Confirmation.

The Board has received annual declarations from the Covenantors for their compliance and execution of Non-Competition Agreement and its supplemental agreement, and Yonyou and its associates (excluding the Company and its subsidiaries) for their compliance and execution of the Confirmation.

Report of Directors (continued)

CONNECTED TRANSACTIONS

1. Non-exempt Connected Transactions

Disposal of Finance & Taxation Practical Skills Training Product and Service Business

To pursue strategic development, the Company needs to further integrate resources so as to maintain the continuous and rapid development of its principal business. On 24 March 2023, the Company and Seentao Technology entered into the Transfer Agreement of Finance & Taxation Practical Skills Training Product and Service Business, pursuant to which the Company has agreed to sell and Seentao Technology has agreed to acquire the Finance & Taxation Practical Skills Training Product and Service Business at an aggregated consideration of RMB43.80 million.

Seentao Technology is a subsidiary of Yonyou, the controlling Shareholder of the Company, and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Transfer Agreement of Finance & Taxation Practical Skills Training Product and Service Business constitute connected transactions of the Company under the Listing Rules. Mr. Wang Wenjing, a Director of the Company, is also a director of Yonyou and Seentao Technology, and Mr. Wu Zhengping, a Director of the Company, is also a director of Yonyou and therefore deemed to have material interests in the abovementioned transactions. They have abstained from voting on the relevant resolutions at the Board meeting.

For details of the above transactions, please refer to the announcement of the Company dated 24 March 2023.

2. Continuing Connected Transactions

2.1 Connected persons

Pursuant to Rule 14A.07 of the Listing Rules, Yonyou, the controlling Shareholder of the Company and its associates are connected persons of the Company. Accordingly, the continuing transactions between the Group and Yonyou and/or its associates constitute continuing connected transactions under Chapter 14A of the Listing Rules. As Mr. Wang Wenjing and Mr. Wu Zhengping, Directors of the Company, serve as directors of Yonyou or its subsidiaries, they are deemed to have material interests in the transactions contemplated under the Property Leasing Framework Agreement, and have abstained from voting on the relevant resolutions at the Board meeting.

2.2 *Non-exempt continuing connected transactions*

Property Leasing Framework Agreement

According to the demands for the Group's business development, on 6 December 2021, the Company re-entered into the Property Leasing Framework Agreement with Yonyou, pursuant to which Yonyou Group agreed to continue to lease the property of Yonyou Group to the Group. The term of the Property Leasing Framework Agreement shall take effective from 1 January 2022 and expire on 31 December 2024. Both parties agreed that the expected annual rent payable in respect of the transactions under the Property Leasing Framework Agreement for the three years ending 31 December 2024 shall not exceed RMB10,214,500, RMB10,762,500 and RMB14,631,700 respectively.

According to "IFRS 16 – Leasing" adopted by the Group since 1 January 2019, the leasing transactions under the Property Leasing Framework Agreement consist of Long-term Leases and Short-term Leases. Long-term Leases are leases with a lease term of over 12 months and to which the Group applies a single method for recognition and measurement of right-of-use assets and lease liabilities, and Short-term Leases are leases with a lease term of 12 months or less.

For Long-term Leases under the Property Leasing Framework Agreement, according to "IFRS 16 – Leasing", the Group shall recognize the right-of-use assets and lease liabilities for leases made by the Group as a lessee, which are measured at the present value of the lease payments, discounted using the lessee's incremental borrowing rate. Accordingly, the Group shall set annual caps on the total value of the right-of-use assets relating to Long-term Leases expected to be made by the Group as a lessee and Yonyou Group under the Property Leasing Framework Agreement. For the three years ending 31 December 2024, the annual caps of such right-of-use assets are as follows:

	For the year ended/ending 31 December		
	2022	**2023**	**2024**
	RMB	*RMB*	*RMB*
Annual caps of newly-added right-of-use assets	21,979,000	1,514,000	4,360,400

In addition, for Short-term Leases under the Property Leasing Framework Agreement, the rent of Short-term Leases will be recognized as the Group's expenses pursuant to "IFRS 16 – Leasing". For each of the three years ending 31 December 2024, the annual rental expense of Short-term Leases under the Property Leasing Framework Agreement of the Group is expected to fall below the de minimis threshold for exemption under the Rule 14A.76(1)(c) of the Listing Rules. Therefore, the Short-term Leases under the Property Leasing Framework Agreement may be fully exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the above transactions, please refer to the announcement of the Company dated 6 December 2021 (the "**Announcement**").

According to the Property Lease Framework Agreement, the annual cap of the newly-added right-of-use assets involved in the Long-term Leases entered into between the Group (as the lessee) and Yonyou Group is RMB1,514,000 in 2023, and the actual newly-added right-of-use assets in 2023 is approximately RMB274,340.

The Company has confirmed that the specific implementation of the aforesaid continuing connected transactions during the Reporting Period has followed the pricing principles of such continuing connected transactions.

2.3 Confirmation from independent non-executive Directors and the auditor of the Company

The independent non-executive Directors have reviewed the aforesaid continuing connected transactions and confirmed that:

(i) such transactions were entered into on normal commercial or better terms;

(ii) such transactions were entered into in the ordinary course of business of the Group; and

(iii) such transactions were conducted pursuant to the agreements, the terms and conditions of which are fair and reasonable, and in line with the overall development strategy of the Group and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company has performed certain agreed procedures in relation to the aforesaid continuing connected transactions, and issued a letter to the Board, stating that:

(i) nothing has come to its attention that may cause it to believe that the aforesaid continuing connected transactions have not been approved by the Board;

(ii) the transaction in relation to the provision of goods and services by the Group, nothing has come to its attention that may cause it to believe that the transaction was not carried out, in all material respects, in accordance with the pricing policy of the Group;

(iii) nothing has come to its attention that may cause it to believe that the aforesaid continuing connected transactions were not carried out, in all material respects, pursuant to relevant agreements regulating such transactions; and

(iv) nothing has come to its attention that may cause it to believe that the aforesaid continuing connected transactions have exceeded their respective annual caps for the year ended 31 December 2023 as set out in the Announcement.

Details of related party transactions entered into in the ordinary course of business of the Group during the Reporting Period are set out in note 34 to the financial statements. Save as disclosed above, no related party transactions set out in note 34 to the financial statements constitute disclosable connected transactions or continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions and continuing connected transactions.

PRE-EMPTIVE RIGHTS

According to the laws of the PRC and the Articles of Association, there are no provisions on the preemptive rights to offer new Shares by the Company to its existing Shareholders on a pro rata basis.

MATERIAL LEGAL MATTERS

So far as the Board is aware of, as at 31 December 2023, the Group was not involved in any material litigation or arbitration, and there was no legal litigation or claims pending or may be raised which might significantly threaten the Group.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has formulated compliance procedures to ensure compliance with applicable laws, rules and regulations with a significant impact on it. The Group maintains strict review procedures in the process of decision-making on investment and M&A, strategic adjustment, listing compliance, asset restructuring of major business, research and development of key products, development of national market, brand and intellectual property protection and other material events. The Company has also engaged Hong Kong and PRC legal advisers to provide legal advice for the Company and ensure compliance with laws, regulations and rules. In addition, relevant employees of the Group will be informed of any changes in applicable laws, regulations and rules from time to time.

The Group has complied with all laws and regulations that have significant impact on it in relation to copyright of computer software, operation of telecommunication business, protection of Internet information and users' personal information and online trading, and has not been subject to any material penalty in respect of the above aspects by any regulatory department.

In order to protect its intellectual properties, the Group has registered its domain name, and registered or applied for a number of trademarks, patents and software copyrights for multiple categories in the PRC and other relevant jurisdictions and taken all appropriate measures as required for safeguarding its intellectual properties.

Report of Directors (continued)

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the Reporting Period, in strict compliance with the relevant laws and regulations on environmental protection, energy-saving and emission-reduction, the Group improved the emissions management system, identified any potential type of emissions generating in the course of production and operation and studied to determine emissions disposal methods, so as to reduce waste emissions. During the Reporting Period, there were no material non-compliance accidents in terms of environment protection for the Group. The Group is committed to promoting environmental knowledge and advocating green life. The Group called on all the employees to build up the concept of environmental protection and energy saving, and strictly follow relevant laws and regulations in relation to environmental protection and energy saving; and updated energy-saving information on a regular basis, in order to guide and supervise environmental protection and energy saving by all the employees. Meanwhile, the Group enhanced its energy management to create green office, based on the effect of its own offices on environment and by using information technology. There were no emissions of Ozone Depleting Substances (ODS) and other air pollutants regulated by laws and regulations during the production course of the Group. The Group would reduce the use of packaging under the Policy on Distinguishing Sales of Cloud Encryption Products and Packaging (《雲加密產品與包裝區分銷售政策》), and has undertook that, its business activities would not have any material effect on the environment and natural resources.

The above measures are designed to reduce resource consumption and environmental pollution, and in line with the Group's strategy to cut operating cost. For further details of the environmental policies and performance of the Group, please refer to the 2023 Environmental, Social and Governance Report of the Company.

AUDITORS

At the 2022 annual general meeting of the Company held on 12 May 2023, the Company re-appointed Ernst & Young as the international auditor of the Company for the year ended 31 December 2023 and appointed Ernst & Young Hua Ming LLP as the PRC auditor of the Company for the year ended 31 December 2023. Ernst & Young has audited the accompanying financial statements which were prepared in accordance with the IFRSs. Ernst & Young was the reporting accountant of the Company during the listing period and the Company has not changed its auditors since the Listing Date.

On behalf of the Board
Wang Wenjing
Chairman
28 March 2024

Report of Supervisory Committee

During the Reporting Period, all members of the Supervisory Committee of the Company earnestly safeguarded the interest of the Company and Shareholders as a whole, and prudently and honestly performed their duties in compliance with requirements of Company Law of the PRC, relevant regulations and the Articles of Association; Supervisors of the Company attended all the Board meetings held in the year and supervised operating activities and financial condition of the Company as well as the performance of duties of Directors and senior management of the Company, thereby promoting the Company's standard operation and healthy development.

During the Reporting Period, the Supervisory Committee paid close attention to the major activities of operation and management. The Supervisory Committee convened regular meetings to consider resolutions in relation to the financial reports of the Company and supervised the financial tasks and financial condition of the Company in a timely manner. Employee representative Supervisors attended the monthly President's office meetings of the Company held in 2023, effectively performed their duties in supervising the operation and management and procedures of the Company.

During the Reporting Period, a total of three meetings were convened by the Supervisory Committee. At the first meeting of the fourth session of the Supervisory Committee for the year 2023 convened on 23 March 2023, the 2022 Annual Report, 2022 Final Financial Accounts, 2022 Internal Control Review Report, 2022 Report of the Supervisory Committee and 2022 Report of the Board were considered and approved; at the second meeting of the fourth session of the Supervisory Committee for the year 2023 convened on 16 August 2023, the 2023 Interim Report, the Resolution on the Nomination of Mr. Guo Xinping as the Candidate for Shareholder Representative Supervisor of the Fifth Session of the Supervisory Committee of the Company (《關於提名郭新平先生為公司第五屆監事會股東代表監事候選人的議案》), the Resolution on the Nomination of Mr. Zhang Peilin as the Candidate for Shareholder Representative Supervisor of the Fifth Session of the Supervisory Committee of the Company (《關於提名章培林先生為公司第五屆監事會股東代表監事候選人的議案》), the Resolution on the Nomination of Mr. Ruan Guangli as the Candidate for Independent Supervisor of the Fifth Session of the Supervisory Committee of the Company (《關於提名阮光立先生為公司第五屆監事會獨立監事候選人的議案》) and the Resolution on the Nomination of Mr. Ma Yongyi as the Candidate for Independent Supervisor of the Fifth Session of the Supervisory Committee of the Company (《關於提名馬永義先生為公司第五屆監事會獨立監事候選人的議案》) were considered and approved; at the first meeting of the fifth session of the Supervisory Committee for the year 2023 convened on 8 September 2023, the Resolution on the Election of Mr. Guo Xinping as the Chairman of the Fifth Session of the Supervisory Committee of the Company (《關於選舉郭新平先生為公司第五屆監事會主席的議案》) was considered and approved. All Supervisors attended the above meetings. During the Reporting Period, the Supervisory Committee supervised the convening procedures and resolutions of the general meetings and the Board meetings of the Company, the implementation of resolutions approved at the general meetings by the Board, senior management's performance of their duties and implementation of the management system of the Company in accordance with requirements of relevant laws and regulations of the PRC as well as the Articles of Association. Given the supervisory work mentioned above, the Supervisory Committee is of the view that the Company has established a comprehensive corporate governance structure and internal control system; the Company operated strictly in accordance with the standards stipulated in the laws and regulations of the PRC and the Articles of Association, while the convening procedures of general meetings and the Board meetings, rules of procedures and resolution procedures were lawful and valid; it is not aware of any breaches of laws and regulations of the PRC or the Articles of Association or prejudice to the Company's interests by any Directors and senior management when performing their duties for the Company; the relatively sound internal control system of the Company promoted the legal operation of the Company, and ensured the asset safety and operation efficiency of the Company.

Report of Supervisory Committee (continued)

During the Reporting Period, the Supervisory Committee examined the financial structure and financial condition of the Company in a serious and careful manner and considered that the Company maintained healthy financial condition in 2023. The standard unqualified audit report issued by Ernst & Young and Ernst & Young Hua Ming LLP and their opinions on the matters involved were objective and fair. The financial report of the Company for the year 2023 gave a true picture of the financial condition and operating results of the Company.

During the Reporting Period, members of the Supervisory Committee attended the Board meetings of the Company. The Supervisory Committee had no objections to the contents of the reports and resolutions proposed by the Board at the general meetings. The Supervisory Committee supervised the implementation of resolutions approved at the general meetings and considered that the Board had duly performed relevant resolutions approved at the general meetings.

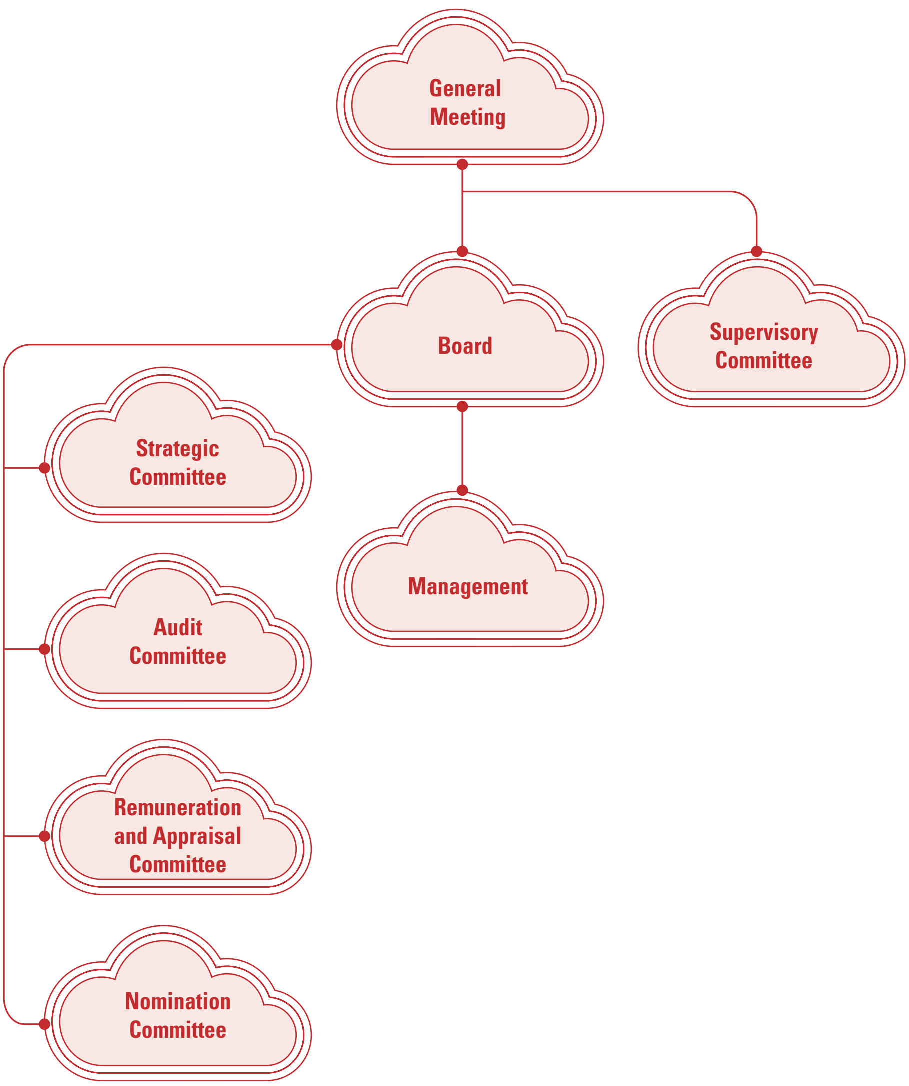
On behalf of the Supervisory Committee
Guo Xinping
Chairman of the Supervisory Committee
28 March 2024

Corporate Governance Report

CORPORATE GOVERNANCE

During the Reporting Period, the Company strictly complied with requirements under the Company Law of the PRC, the Securities Law of the PRC and other laws and regulations, and requirements stipulated by domestic and overseas regulatory institutions to establish a standard and sound corporate governance structure while continuously committed to maintaining the corporate governance at a high level to improve the long-term value for Shareholders.

CORPORATE GOVERNANCE STRUCTURE



Corporate Governance Report (continued)

CORPORATE GOVERNANCE DOCUMENTS

At present, the regulatory documents on corporate governance of the Company include but are not limited to the followings:

1. Articles of Association;
2. Rules of Procedure of General Meeting;
3. Rules of Procedure of Board;
4. Rules of Procedure of Supervisory Committee;
5. Working Rules for the Strategic Committee;
6. Working Rules for the Audit Committee;
7. Working Rules for the Remuneration and Appraisal Committee;
8. Working Rules for the Nomination Committee;
9. Working System for Independent Directors;
10. Working Rules of President;
11. Board Diversity Policy;
12. Shareholders Communications Policy; and
13. Dividend Policy.

The Board has reviewed the above-mentioned documents in relation to corporate governance adopted by the Company, and considered that such documents have met the requirements of all code provisions of the Corporate Governance Code. The corporate governance code adopted by the Company is more stringent than the code provisions set out in the Corporate Governance Code in the following aspects:

1. Apart from the Audit Committee, Remuneration and Appraisal Committee and Nomination Committee, the Company has also established the Strategic Committee.

2. Independent non-executive Directors are required to review the information in relation to the compliance and implementation of the Non-Competition Undertakings provided by the controlling Shareholder at least once a year.

CORPORATE GOVERNANCE CODE

During the Reporting Period and as at the date of this report, the Company has fully complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

CORPORATE CULTURE

Mission of the Company: Facilitating MSEs' Development in Operation and Management with Creativity and Technology

Based on creative ideas and advanced technology (at the current stage, information technology), Chanjet innovates and operates products and services with high customer value to help customers achieve their development goals, thereby facilitating MSEs' development in operation and management. We achieve corporate vision on the basis of fulfilling our mission.

Vision of the Company: A Worldwide Leading Provider of Cloud Services for MSEs; A Platform for Partners and Employees to Enjoy Work, Making Achievements and Sharing Success

MSEs are our committed and continuous clients. Cloud services are the key business of Chanjet at the new development stage. The goal that must be achieved by the Company is to become a world-leading company. While striving to achieve the goal of industrial development, it is also the Company's pursuit for partners and employees to work happily, achieve careers and share success on the platform of Chanjet.

Core Values: Friend of Users, Continuous Innovation, and Professional Endeavor

The core values are the most important action guidance and guidelines for all Chanjet employees, and also the cornerstone of Chanjet's belief in sustainable development. We adhere to the original aspiration of "friend of users", always adhere to "continuous innovation" and being "professional strivers".

The Group is committed to ensuring that all employees take core values as action guidance and guidelines so that they become the foundation of corporate culture, and the above corporate mission, vision and value are implemented in all business. On the basis of standardised and sound corporate governance structure, comprehensive risk management and effective internal control, the Group has actively implemented our corporate culture through daily operation, human resources policies, employee training and close communication with stakeholders of the business, so as to enable the Group's business to achieve sustainable development in the long term and generate long-term value for Shareholders. During the Reporting Period, the Group planned a variety of cultural themes and important cultural specialisations in accordance with the needs of strategic and business development and adjustment of corporate culture strategies. It selected corporate culture officers and culture ambassadors among all employees, selected cadres and staff role models who demonstrate corporate culture, excavated outstanding stories from the frontline of business, demonstrated outstanding departmental culture and disseminated through a multi-level advertising matrix in order to promote the implementation of corporate culture. Details of the Group's initiatives relating to the implementation of its corporate culture are also set out in the sections headed "CHAIRMAN'S STATEMENT", "EMPLOYEE AND ORGANIZATION GUARANTEE", "TRAINING PROGRAMS" and "CORPORATE GOVERNANCE REPORT" of this annual report.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules, and requires Directors and Supervisors to deal with securities in accordance with the Model Code. The Model Code is also applicable to the senior management of the Company. After making specific enquiries by the Company, all Directors and Supervisors confirmed that they had fully complied with the Model Code during the Reporting Period.

BOARD

The composition of the Board and the relevant information during the Reporting Period and as at the date of this report are set out as follows:

Directors	Age	Position	Term of office
Mr. Wang Wenjing (王文京先生)	59	Non-executive Director, Chairman	From 8 September 2023[Note 2] to 7 September 2026
Mr. Wu Zhengping (吳政平先生)	59	Non-executive Director	From 8 September 2023[Note 2] to 7 September 2026
Mr. Yang Yuchun (楊雨春先生)	51	Executive Director, President	From 8 September 2023[Note 2] to 7 September 2026
Mr. Lau, Chun Fai Douglas (劉俊輝先生)	51	Independent non-executive Director	From 8 September 2023[Note 2] to 7 September 2026
Ms. Wu Xiaoqing (吳小慶女士)	70	Independent non-executive Director	From 8 September 2023[Note 2] to 7 September 2026
Mr. Chen, Kevin Chien-wen (陳建文先生)[Note 1]	69	Independent non-executive Director	From 8 September 2020 to 7 September 2023
Mr. Cui Qiang (崔強先生)[Note 1]	44	Independent non-executive Director	From 8 September 2023 to 7 September 2026

Notes:

1. Mr. Chen, Kevin Chien-wen has retired as an independent non-executive Director in order to devote more time to handle other matters. On 8 September 2023, the extraordinary general meeting of the Company has approved the appointment of Mr. Cui Qiang as an independent non-executive Director in place of Mr. Chen, Kevin Chien-wen.

2. On 8 September 2023, the extraordinary general meeting of the Company has approved the re-election of Mr. Wang Wenjing, Mr. Wu Zhengping, Mr. Yang Yuchun, Mr. Lau, Chun Fai Douglas and Ms. Wu Xiaoqing as Directors of the fifth session of the Board.

Corporate Governance Report (continued)

The Board currently consists of six members, three of whom are independent non-executive Directors. According to the Articles of Association, the functions and powers of the Board include, amongst others:

- being responsible for convening the general meetings and reporting on work to the general meetings;
- implementing the resolutions of the general meetings;
- determining the business plan and investment proposal of the Company;
- formulating the annual financial budgets and final financial accounts of the Company;
- formulating the profit distribution schemes and loss remedy plans of the Company;
- formulating the plans for increasing or decreasing registered capital and the issuance of corporate bonds or other securities as well as the listing scheme of the Company;
- preparing plans for merger, spin-off, dissolution or transformation of the Company;
- preparing plans for major acquisitions and repurchase of the Shares of the Company;
- determining such matters as the external investments, purchase/sale of assets, asset pledges, external guarantees, entrusting wealth management and connected transactions of the Company within the scope authorized by the general meetings;
- deciding on the Company's internal management structure;
- deciding on the structure of the special committees of the Board, appointing or dismissing the chairman (convenor) of special committees of the Board;
- appointing or dismissing the President, secretary to the Board, company secretary of the Company; based on the nomination by the President, appointing or dismissing senior management including vice president and chief financial officer of the Company and determining their remuneration;
- formulating the basic management system of the Company;
- formulating the amendments to the Articles of Association;

- formulating share incentive schemes of the Company;
- managing the information disclosure of the Company;
- proposing the appointment or replacement of the accounting firm that provides audit services for the Company at the general meeting;
- listening to the work report made by the President and reviewing the work performance by the President;
- considering and approving the provision by the Company of any external guarantee other than those to be approved by the general meeting in accordance with the Articles of Association;
- formulating and reviewing the Company's corporate governance policy and practices;
- reviewing and supervising policies and practices regarding the compliance of laws and regulatory requirements;
- reviewing and supervising the training and continuing occupational development for the Directors and senior management;
- reviewing the Company's compliance with the Corporate Governance Code in the Listing Rules and disclosure in the Corporate Governance Report;
- deciding on other major matters and administrative affairs other than those specified in the laws, administrative regulations, regulations of the competent authorities, listing rules of the place(s) where the Company's shares are listed and the Articles of Association to be determined at the general meeting and execution of other important agreements; and
- performing other powers and duties authorized by the laws, administrative regulations, and regulations of authorities, listing rules of the place(s) where the Company's shares are listed, the Articles of Association and other duties entrusted at the general meeting.

Corporate Governance Report (continued)

It is the responsibility of the Board to prepare the financial statements for each fiscal year to give a true and fair view of the financial condition of the Company and the results and cash flow during the relevant period. When preparing the financial statements for the year ended 31 December 2023, the Board selected and applied appropriate accounting policies and made prudent, fair and reasonable judgment and estimate to prepare the financial statements on a going concern basis. The Board is responsible for properly maintaining the accounting records of the financial information of the Company and disclosing the same reasonably and accurately at any time.

The Company's management comprises one President, several vice presidents and a chief financial officer. The President is responsible to the Board and shall mainly perform the following functions:

- being in charge of the production, operation and management of the Company and reporting to the Board;
- organizing the implementation of the resolutions of the Board;
- organizing the implementation of the annual business plan and investment program of the Company formulated by the Board;
- preparing plans for the establishment of the internal management structure of the Company;
- preparing plans for the establishment of the branches of the Company;
- preparing basic management systems of the Company;
- formulating specific rules and regulations of the Company;
- proposing the appointment or dismissal of the vice presidents and the chief financial officer of the Company to the Board;
- appointing or dismissing other management personnel other than those required to be appointed or dismissed by the Board;
- determining the salaries, benefits, rewards and punishment for the staff of the Company, and making decisions on the appointment and dismissal of the Company's staff; and
- other functions and powers conferred by the Articles of Association or the Board.

During the Reporting Period, Mr. Wang Wenjing, a non-executive Director, served as Chairman of the Board of the Company and Mr. Yang Yuchun, an executive Director, served as the President. The Chairman and the President are two different positions which are clearly delineated. The Chairman shall not concurrently serve as the President. The responsibilities between the Chairman and the President shall be clearly separated and defined in written form. The Chairman is responsible for managing the operation of the Board while the President is responsible for the business operation of the Company. The Articles of Association sets out in detail the respective responsibilities of the Chairman and the President. Senior management of the Company, other than the Directors and the Supervisors, are responsible for the daily business operation of the Company. Their positions are set out in the section of "Biographies of Directors, Supervisors and Senior Management" in this report.

All Directors are required to declare any direct or indirect interest involved in any matter or transaction to be considered at Board meetings, and the interested Directors shall abstain from the meeting when appropriate.

A total of four Board meetings were convened during 2023. The Directors' attendance rate is as follows:

Directors	**Number of Attendance in Person**	**Number of Attendance by Proxy**	**Attendance Rate**
Wang Wenjing	4	–	100%
Wu Zhengping	4	–	100%
Yang Yuchun	4	–	100%
Lau, Chun Fai Douglas	4	–	100%
Wu Xiaoqing	4	–	100%
Chen, Kevin Chien-wen[Note]	2	–	100%
Cui Qiang[Note]	2	–	100%

A total of two general meetings were convened during 2023. The Directors' attendance rate is as follows:

Directors	**Number of Attendance in Person**	**Number of Attendance by Proxy**	**Attendance Rate**
Wang Wenjing	2	–	100%
Wu Zhengping	2	–	100%
Yang Yuchun	2	–	100%
Lau, Chun Fai Douglas	2	–	100%
Wu Xiaoqing	2	–	100%
Chen, Kevin Chien-wen[Note]	2	–	100%
Cui Qiang[Note]	–	–	N/A

Note: Mr. Chen, Kevin Chien-wen has retired as an independent non-executive Director in order to devote more time to handle other matters. On 8 September 2023, the extraordinary general meeting of the Company has approved the appointment of Mr. Cui Qiang as an independent non-executive Director in place of Mr. Chen, Kevin Chien-wen.

Corporate Governance Report (continued)

During the Reporting Period and up to the date of this report, the Board has been complying with Rule 3.10(1) of the Listing Rules, which requires a minimum of three independent non-executive Directors, Rule 3.10A of the Listing Rules, which requires independent non-executive Directors representing at least one-third of the Board, and Rule 3.10(2) of the Listing Rules, which requires that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

In accordance with the requirements of the Listing Rules, the Company made the following confirmation as to the independence of the independent non-executive Directors: the Company has received the annual confirmation letter of independence given by each of the independent non-executive Directors and confirms their compliance with the independence requirements as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non-executive Directors are independent.

Each of the independent non-executive Directors shall have the same term of office of three years as other Directors, and may be re-appointed upon expiry of the term of office provided that the consecutive terms shall be in compliance with relevant requirements under the relevant laws, regulations or regulatory rules of the place(s) where the Company's shares are listed. Independent non-executive Directors shall not be removed without reasonable ground prior to the expiry of their terms of office. The Company shall make special disclosure for any early removal of any independent non-executive Directors.

Other than their duties in the Company, the Directors, the Supervisors and senior management of the Company do not have any relationship among themselves in financial, business, family or other material aspects.

During the Reporting Period, all Directors of the Company proactively participated in continuous professional training and developed and updated their knowledge and skills in a move to ensure that their contribution to the Board remained completely informed and relevant. The continuous professional training attended by Directors during the Reporting Period is summarized as follows:

	Scope			
Directors	**Laws and regulations**	**Corporate governance**	**Anti-corruption**	**Director's responsibilities/ the Group's business**
Wang Wenjing	√	√	√	√
Wu Zhengping	√	√	√	√
Yang Yuchun	√	√	√	√
Lau, Chun Fai Douglas	√	√	√	√
Wu Xiaoqing	√	√	√	√
Chen, Kevin Chien-wen*Note*	–	–	–	√
Cui Qiang*Note*	√	√	√	√

Note: Mr. Chen, Kevin Chien-wen has retired as an independent non-executive Director in order to devote more time to handle other matters. On 8 September 2023, the extraordinary general meeting of the Company has approved the appointment of Mr. Cui Qiang as an independent non-executive Director in place of Mr. Chen, Kevin Chien-wen.

The Company has established the Strategic Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.

The Company has established a number of mechanisms to ensure that the Board can obtain independent views and opinions to promote the steady development of the Group. The relevant mechanisms are set out in the Articles of Association, the Working System of Independent Directors (《獨立董事工作制度》) and the Rules of Procedure of the Board (《董事會議事規則》) of the Company, and the Board will review these mechanisms from time to time to ensure their reasonableness and effectiveness.

With regard to the structure, number and composition of the Board, the Company has stipulated the minimum proportion and number of independent non-executive Directors among the members of the Board to ensure an ongoing balance of the composition of executive Directors, non-executive Directors and independent non-executive Directors of the Company, and therefore the Board has maintained a fairly strong independence element in its composition. The Company has assessed the independence, professional qualifications and prior experience of independent non-executive Directors to ensure that independent non-executive Directors have enough talent, vision and opportunities to express influential and independent opinions. In order to ensure the diversity of perspectives of the Board in decision-making, it has also been required that independent non-executive Directors shall not appoint non-independent non-executive Directors to attend meetings on their behalf.

The Company has also developed a security mechanism for Directors to perform their duties, creating favourable conditions for Directors to obtain independent views and opinions. The Company has required Directors to attend meetings in person or by proxy and imposes a limit on the number of times a Director may fail to attend meetings, so as to ensure that they perform their duties. The notice of the Board meeting and the meeting documents shall be served on all Directors and Supervisors in advance, so as to allow time for Directors to understand the contents of the meeting and form independent opinions. To effectively preserve the inclusion of a diverse range of opinions, the secretary to the Board shall, as needed, seek independent and professional advice for Directors regarding the needs of performing their corporate responsibilities. For independent non-executive Directors, the relevant provisions also include the right to information of independent non-executive Directors, the prohibition of dismissal of independent non-executive Directors by the Company without cause, and the granting of appropriate remuneration to independent non-executive Directors by the Company, etc., so as to clear the obstacles for the independent non-executive Directors to provide an independent and objective views.

In addition, independent non-executive Directors play a very important role in matters to be considered or approved by the Board. If there is a significant conflict of interest of a Substantial Shareholder or Director in a matter to be considered by the Board, the Company requires that a Board meeting shall be convened on such matter and that independent non-executive Directors who have no material interest in the matter shall attend the Board meeting and relevant Directors who have an interest shall abstain from voting. To protect the overall interests of the Company, a major connected transaction shall be subject to the approval of independent non-executive Directors before being submitted to the Board for consideration. Independent non-executive Directors may also express their independent opinions to the Board on a number of matters, including the appointment and dismissal of Directors and senior management, their remuneration and external guarantee of the Company, etc.

During the Reporting Period, the Board reviewed the above mechanism relating to the independence of the Board and considered that the Board was able to obtain independent views and opinions due to its balanced structure, the Directors' efficient and transparent deliberation and performance of their duties, the remuneration and guarantee of performance of non-executive Directors together with the conflict management mechanism of transactions, and that the implementation of the independence mechanism of the Board was properly implemented and effective.

Corporate Governance Report (continued)

Strategic Committee

As at the end of the Reporting Period and as at the date of this report, the Strategic Committee consisted of Mr. Wang Wenjing, a non-executive Director, Mr. Yang Yuchun, an executive Director, and Mr. Cui Qiang, an independent non-executive Director, among whom, Mr. Wang Wenjing was the chairman of the committee.

The primary duties of the Strategic Committee include:

- reviewing and making recommendations to the Board on the plans for strategic development of the Company;
- reviewing and making recommendations to the Board on planning, feasibility studies, external negotiations, due diligence, intent to cooperate and the execution of contracts in relation to new major investment by the Company, in light of the plans for the strategic development of the Company;
- reviewing and making relevant recommendations to the Board on major financing, capital operation and assets management, including the issuance of Shares or corporate bonds of the Company;
- reviewing and making relevant recommendations to the Board on mergers, divisions, liquidation of the Company and other material matters which will affect the development of the Company; and
- monitoring and supervising, and proposing adjustment to as necessary, the implementation of the above matters upon approval by the Board.

Corporate Governance Report (continued)

One meeting of the Strategic Committee was convened to consider and approve the resolution on the 2023 Work Plan of the Company during the Reporting Period. The attendance rate of the committee members is as follows:

Members	Number of Attendance in Person	Number of Attendance by Proxy	Attendance Rate
Wang Wenjing	1	–	100%
Yang Yuchun	1	–	100%
Wu Xiaoqing*Note*	1	–	100%
Cui Qiang*Note*	–	–	N/A

Note: As approved by the general meeting of the Company, Mr. Cui Qiang has been served as an independent non-executive Director since 8 September 2023. On the same day, as approved by the Board, Mr. Cui Qiang was appointed as a member of the Strategic Committee in place of Ms. Wu Xiaoqing.

Audit Committee

As at the end of the Reporting Period and as at the date of this report, the Audit Committee consisted of Mr. Lau, Chun Fai Douglas, an independent non-executive Director, Mr. Wu Zhengping, a non-executive Director, and Ms. Wu Xiaoqing, an independent non-executive Director, among whom, Mr. Lau, Chun Fai Douglas was the chairman of the committee.

The primary duties of the Audit Committee include:

- making recommendations to the Board on appointing and replacing external auditors;
- being responsible for the communication between the internal audit department of the Company and external auditors as the representative of the Company and external auditors;
- developing and implementing policy on the provision of non-audit services by external auditors according to work demands;
- reviewing financial information of the Company and its disclosures;

- discussing any queries raised by the independent auditor after reviewing the half-year accounts and auditing the annual accounts of the Company;
- reviewing the Company's financial policies, internal auditing system, internal control and risk management systems and proposing opinions and suggestions on improvement;
- reviewing the following arrangements made by the Company: employees of the Company can raise concerns in confidence about possible improprieties in financial reporting, risk management, internal control or other matters;
- establishing relevant procedures to ensure fair and independent investigation and settlement of complaints in relation to accounting, risk management, internal control, audit or others and ensuring the confidentiality thereof;
- finishing other works assigned by the Board; and
- fulfilling other responsibilities conferred by regulatory institutions including the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong.

The Company has fully complied with the requirements of the Rule 3.21 of the Listing Rules during the Reporting Period.

A total of three meetings of the Audit Committee were convened during the Reporting Period. The 2022 Annual Report of the Company, the 2022 Internal Control Review Report of the Company, the 2022 Report on Corporate Risk Assessment of the Company and the audited financial statements for the year ended 31 December 2022 prepared by the Company according to the CASBE as well as the resolutions in relation to the engagement of auditor of the Company on the 2023 financial statements, 2023 interim report, audit plan for 2023 annual consolidated financial statements and 2023 annual auditor remuneration were considered and approved. The attendance rate of the members is as follows:

Members	**Number of Attendance in Person**	**Number of Attendance by Proxy**	**Attendance Rate**
Lau, Chun Fai Douglas*Note*	3	–	100%
Wu Zhengping	3	–	100%
Chen, Kevin Chien-wen*Note*	2	–	100%
Wu Xiaoqing*Note*	1	–	100%

Note: Mr. Chen, Kevin Chien-wen has retired as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 8 September 2023. On the same day, as approved by the Board, Mr. Lau, Chun Fai Douglas was appointed as the chairman of the Audit Committee in place of Mr. Chen, Kevin Chien-wen, and Ms. Wu Xiaoqing filled the vacancy to serve as a member of the Audit Committee.

Corporate Governance Report (continued)

The Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the matters on, among others, risk management and the internal control, enterprise risk assessment, financial statements and the effectiveness of the internal audit function, including the review of audited annual results and annual report for the year of 2023, on which they had no dissenting opinion.

The Audit Committee has recommended to the Board that Ernst & Young and Ernst & Young Hua Ming LLP be retained as the Company's auditors for the year 2024, subject to the Shareholders' approval at the forthcoming 2023 annual general meeting.

Remuneration and Appraisal Committee

As at the end of the Reporting Period and as at the date of this report, the Remuneration and Appraisal Committee consisted of Mr. Cui Qiang, an independent non-executive Director, Mr. Yang Yuchun, an executive Director, and Ms. Wu Xiaoqing, an independent non-executive Director, among whom, Mr. Cui Qiang was the chairman of the committee. The Remuneration and Appraisal Committee is mainly responsible for examining the appraisal and remuneration of Directors and senior management and giving its advice and recommendations thereon. The Remuneration and Appraisal Committee has adopted the second model under code provision E.1.2(c) under Part 2 of the Corporate Governance Code (i.e. recommending to the Board on the remuneration packages offered to individual executive Directors and senior management).

The primary duties of the Remuneration and Appraisal Committee include:

- studying and reviewing the remuneration policies, proposals, structure and the procedures for developing remuneration policy for Directors and senior management and making recommendations to the Board on the formulation of official and transparent procedures for determining the remuneration policy;
- examining the proposed remunerations to the management according to the corporate goals and objectives developed by the Board from time to time;
- recommending to the Board on the remuneration packages offered to individual executive Directors and senior management, including non-monetary income, pension and compensation (including compensation payable for loss or termination of office or position);
- making recommendations to the Board concerning remuneration packages offered to non-executive Directors;
- examining the performance of duties of the Directors and senior management of the Company and to appraise their annual performance;
- supervising the implementation of the remuneration system of the Company;
- considering and/or approving matters relating to the share scheme as mentioned in Chapter 17 of the Listing Rules; and
- other matters authorized by the Board.

Corporate Governance Report (continued)

A total of three meetings of the Remuneration and Appraisal Committee were convened during the Reporting Period. The resolutions in relation to the remuneration of senior management in 2022 and the remuneration plan for 2023 of the Company, the annual allowance for independent non-executive Directors of the fifth session of the Board, the unlocking of the second tranche of incentive shares granted under the Employee Share Ownership Scheme (please refer to the "EMPLOYEE SHARE OWNERSHIP SCHEME" under the Report of Directors for details) and the appraisal of the second tranche of Bonus under the Long-term Incentive Bonus Scheme (please refer to the "LONG-TERM INCENTIVE BONUS SCHEME" under the Report of Directors for details) were considered and approved. The attendance rate of the members is as follows:

Members	Number of Attendance in Person	Number of Attendance by Proxy	Attendance Rate
Cui Qiang[Note]	1	–	100%
Lau, Chun Fai Douglas[Note]	2	–	100%
Yang Yuchun	3	–	100%
Wu Xiaoqing	3	–	100%

Note: As approved by the general meeting of the Company, Mr. Cui Qiang has been served as an independent non-executive Director since 8 September 2023. On the same day, as approved by the Board, Mr. Cui Qiang was appointed as the chairman of the Remuneration and Appraisal Committee in place of Mr. Lau, Chun Fai Douglas.

Nomination Committee

As at the end of the Reporting Period and as at the date of this report, the Nomination Committee consisted of Ms. Wu Xiaoqing, an independent non-executive Director, Mr. Wang Wenjing, a non-executive Director, and Mr. Lau, Chun Fai Douglas, an independent non-executive Director, among whom, Ms. Wu Xiaoqing was the chairman of the committee.

The primary duties of the Nomination Committee include:

- considering the criteria and procedures for selecting Directors, the President and other senior management and making recommendations thereon to the Board. Factors to be considered include but not limited to gender, age, culture, educational background, and professional experience;

- advising the Board on the appointment or re-appointment of Directors and the succession plan for Directors, in particular the Chairman and the President, and ensuring that the candidates for Directors have the skills, experience and diverse perspectives required for the operations of the Company;

- examining and making suggestions on the candidates for the President and other senior management of the Company;

- reviewing the structure, size and composition of the Board (including skills, knowledge and experience) at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- monitoring the implementation of the Board diversity policy, to review the policy in due course and to present proposals to the Board on any requisite amendments;

- reviewing the independence of the independent non-executive Directors; and

- other matters authorized by the Board.

The Nomination Committee shall be responsible for the specific implementation of the policy on nominating Directors of the Company. Our Company's directors nomination policy consists of the procedures of nominating Directors, the key criteria and principles to be considered when nominating Directors.

The procedures of nominating Directors are as follows: the Nomination Committee submits a list of candidates for Directors which will then be submitted by the Nomination Committee to the Board for consideration and to the general meeting for approval.

Corporate Governance Report (continued)

The procedures for reviewing the candidates for Directors include: (1) collecting or requiring relevant departments of the Company to collect and understand information on the occupation, educational background, title, detailed working experience and all part-time experience of the candidates, and preparing written materials accordingly; (2) seeking the opinions of the candidates for Directors and obtaining their written consent; (3) convening meetings of the Nomination Committee to review the candidates' qualifications pursuant to the requirements of Directors, make suggestions and recommend appointments by way of proposals; and (4) carrying out other follow-up works in accordance with the decisions or feedback of the Board.

The Company's key criteria and principles to be considered in nomination of Directors include: (1) considering the criteria and procedures for selecting Directors and making recommendations thereon to the Board. Factors to be considered include but not limited to gender, age, culture, educational background, and professional experience; (2) ensuring that the candidates for Directors have the skills, experience and diverse perspectives required for the operations of the Company; and (3) reviewing the structure, size and composition of the Board (including skills, knowledge and experience) at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

A total of three meetings of the Nomination Committee were convened during the Reporting Period. The resolutions in relation to (1) reviewing the Board Diversity Policy; the appointment of senior management, i.e. the proposed appointment of Mr. Fan Peng and Ms. Li Xiao as vice presidents the Company; (2) the nomination of Mr. Wang Wenjing and Mr. Wu Zhengping as candidates for non-executive Directors of the fifth session of the Board of the Company, the nomination of Mr. Yang Yuchun as the candidate for executive Director of the fifth session of the Board of the Company and the nomination of Mr. Lau, Chun Fai Douglas, Ms. Wu Xiaoqing and Mr. Cui Qiang as candidates for independent non-executive Directors of the fifth session of the Board of the Company; and (3) the election of Mr. Wang Wenjing as the Chairman of the fifth session of the Board of the Company; the election of members of special committees of the fifth session of the Board of the Company; the appointment of Mr. Yang Yuchun as the President; the appointment of other senior management members of the Company, including the proposed appointment of Mr. Sun Guoping, Ms. Zhang Hong, Mr. Liu Zhidong and Ms. Xiong Xiaoxiao as senior vice presidents of the Company, the proposed appointment of Ms. Gao Jin as a senior vice president and the chief financial officer of the Company and the proposed appointment of Mr. Wang Xuejun, Mr. Liu Shuwei, Mr. Xiao Mingxiao, Mr. Wang Yunbo, Mr. Jiang Peng, Mr. Fan Peng and Ms. Li Xiao as vice presidents of the Company; the appointment of the secretary to the Board of the Company, i.e. the proposed appointment of Ms. Bao Jie as the secretary to the Board of the Company were considered and approved. The attendance rate of the members is as follows:

Members	**Number of Attendance in Person**	**Number of Attendance by Proxy**	**Attendance Rate**
Wu Xiaoqing	3	–	100%
Wang Wenjing	3	–	100%
Chen, Kevin Chien-wen[Note]	2	–	100%
Lau, Chun Fai Douglas[Note]	1	–	100%

Note: Mr. Chen, Kevin Chien-wen has retired as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 8 September 2023. On the same day, as approved by the Board, Mr. Lau, Chun Fai Douglas was appointed as a member of the Nomination Committee in place of Mr. Chen, Kevin Chien-wen.

BOARD AND EMPLOYEE DIVERSITY

BOARD DIVERSITY

The Board adopted the following board diversity policy:

With a view to achieving a sustainable and balanced development, the Company believes increasing diversity of the Board is an essential element in supporting the attainment of its strategic objectives and sustainable development. All the appointments made by the Board will be based on meritocracy, and candidates will be adequately considered with reference to objective criteria, together with the benefit brought to the Board by adoption of board diversity. Selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents of the various stages in the business development and strategic planning of the Company, and also the merits and contribution to be made by the selected candidates. The composition of the Board (including gender, age and length of service) will be disclosed in the Corporate Governance Report annually.

In September 2023, the Company held a general election for the Board, during which the Company took into sufficient consideration of the importance of the diversity of the Board, and comprehensively considered the gender, age, cultural and educational background, professional experience, skills, knowledge and length of service of the members when considering the candidates, and actively implemented the policy of diversity of the Board. After the completion of the election, the distribution of age and professional background of the Board members has become more balanced, and the proportion of independent non-executive Directors with a tenure of 9 years and above decreased. The following table shows the diversity profile of the Board as at 31 December 2023:

<table>
<tr><th rowspan="2">Types of director</th><td colspan="2">Non-executive Director</td><td colspan="2">Executive Director</td><td colspan="2">Independent non-executive Director</td></tr>
<tr><td colspan="2">2</td><td colspan="2">1</td><td colspan="2">3</td></tr>
<tr><th rowspan="2">Gender</th><td colspan="3">Male Director</td><td colspan="3">Female Director</td></tr>
<tr><td colspan="3">5</td><td colspan="3">1</td></tr>
<tr><th rowspan="2">Age group</th><td colspan="2">Aged no more than 50</td><td colspan="2">Aged 51 to 60</td><td colspan="2">Aged equal to or above 61</td></tr>
<tr><td colspan="2">1</td><td colspan="2">4</td><td colspan="2">1</td></tr>
<tr><th rowspan="2">Terms of office</th><td colspan="2">Below 5 years</td><td colspan="2">5 to 9 years</td><td colspan="2">Above 9 years</td></tr>
<tr><td colspan="2">2</td><td colspan="2">1</td><td colspan="2">3</td></tr>
</table>

In order to facilitate the Board diversity, the Company aims to maintain at least one female Director. Also, when considering the composition of the mandatory Board committees (i.e. the Nomination Committee, the Audit Committee and the Remuneration and Appraisal Committee), the Company will strive to maintain at least one female Board member, and the Board will gradually increase the proportion of female Directors by taking the opportunity to identify and recommend suitable successors for Directors. During the Reporting Period and up to the date of this report, there was one female Director on the Board of the Company and up to the date of this report, the female Director is also a member of the mandatory Board committees and serves as the chairman of the Nomination Committee. The Board will make reference to international and local recommended best practices to ensure a proper balance in the gender diversity of the Board, so as to achieve the long-term strategic goal of sustainable and balanced development of the Group.

Corporate Governance Report (continued)

EMPLOYEE DIVERSITY

As at 31 December 2023, the total number of employees of the Group was 1,110, including 772 male employees and 338 female employees, which accounted for 70% and 30%, respectively. Senior management consisted of 8 male employees and 5 female employees, which accounted for 61% and 39% respectively. The Group has implemented the employment principle of "openness, fairness and justice", and practiced merit-based recruitment and best-fit talent deployment in the recruitment process without any gender discrimination. The Group will make continuous efforts to improve the representation of female employees with reference to the expectations of Shareholders and the recommended best management, with an aim to achieve a proper balance in gender diversity.

CORPORATE GOVERNANCE FUNCTIONS

During the Reporting Period, the Board had performed the following corporate governance functions:

- formulating and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing the Company's compliance with the Corporate Governance Code in the Listing Rules and disclosure in the Corporate Governance Report.

AUDITOR'S REMUNERATION

Ernst & Young and Ernst & Young Hua Ming LLP were appointed as the international auditor and the PRC auditor of the Company for 2023, respectively. For the year ended 31 December 2023, the service fees charged to the Group by Ernst & Young and Ernst & Young Hua Ming LLP totaled RMB2,043,800, including fees for audit services of RMB1,562,300, and fees for non-audit services of RMB481,500. Non-audit services included the negotiated procedures of the interim financial statements and the issuing of the letter in relation to the profit forecast concerning connected transactions of the Company conducted in 2023.

Corporate Governance Report (continued)

JOINT COMPANY SECRETARIES

Ms. Bao Jie and Dr. Ngai Wai Fung were appointed as joint company secretaries of the Company. Ms. Bao Jie, the secretary to the Board and joint company secretary of the Company, serves as the primary contact person between Dr. Ngai Wai Fung and the Company. During the Reporting Period, Ms. Bao Jie and Dr. Ngai Wai Fung have attended relevant professional trainings for not less than 15 hours.

FINANCIAL REPORTING

The management provides members of the Board with updated financial reporting information on a monthly basis, setting out relevant accounts data, financial position and achievement of operation budget of the Group. This is to ensure Directors have sufficient information and knowledge about the Group's affairs to effectively fulfill their responsibilities and obligations. The Directors acknowledged their responsibility for preparation of financial statements which shall give a true and fair view of the Group's financial position, results of operations and cash flows for the year.

In preparing the financial statements for the Reporting Period, the Directors have selected suitable accounting policies and adopted appropriate accounting standards. Based on judgments and estimates that are prudent and reasonable, the Directors had ensured that the accounts are prepared on the going concern basis. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of the Company to continue as a going concern. The statement of auditors about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" in this report.

The Board recognizes the importance of good corporate governance, transparency and its accountability to Shareholders. It shall present a balanced, clear and understandable assessment in annual and interim reports of the Company and other financial disclosures as required to be disclosed under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

RISK MANAGEMENT AND INTERNAL CONTROL

In order to fulfill the relevant regulatory requirements of the place where the Company is listed and strengthen the risk management and internal control management of the Company, the Company has established a range of risk management and internal control management systems, including documents such as "Administrative Measures for Information Disclosure", "Administrative Measures for Connected Transactions", "Administrative System for Financial Reports", "Financial Reimbursement System", "Funds Management System", "Administrative System for Procurement", "Administrative System for Budget", "Administrative Measures for External Investment", "Internal Audit System", "Risk Management System" and "Whistle-blowing Management System", thus establishing the risk management and internal control systems.

The Board shall be responsible for the risk management and internal control systems of the Group, and has the responsibility to review the effectiveness of such systems. Such systems are designed based on the specific needs and risks of the Group, aiming at managing rather than eliminating the risk of failing to meet the business goals, and providing reasonable rather than absolute warranties as to the absence of any material misstatements or losses.

The Company implements comprehensive risk management by integrating specific requirements of risk management into daily management and business processes, and has established a risk control matrix for major business processes and designating the personnel responsible for business as the first responsible person for risk management to monitor the implementation of risk response measures. Meanwhile, the Company's management conducts a regular comprehensive assessment of enterprise risks annually, to identify and evaluate the major risks in all aspects of the Company, formulates risk response measures and prepares an assessment report on enterprise risks. The Board and the Audit Committee of the Company will review the risk assessment report, discuss with management on major risks the Company is exposed to, and urge the management to cope with risk.

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Company during the Reporting Period according to the Corporate Governance Code. Upon the examination and review for all material aspects of the risk management and internal systems, the Board was of the opinion that the risk management and internal control systems of the Company were effective and adequate. The above review covered all important control aspects of the Company, including financial control, operation control, compliance control, and risk (including fraud and environmental, social and governance risks) management function control. Meanwhile, the Company appointed SHINEWING Risk Services Limited as the independent internal control advisor to review the risk management and internal control in all material aspects of the Company for 2023 and issued the risk management and internal control review report. The report was considered and approved by the Audit Committee and the Board.

Corporate Governance Report (continued)

The Board shall comprehensively supervise and review the implementation of internal audit of the Company. The Company has set up the audit and supervision department which is responsible for the work of internal audit and performing internal audit function of the Company. The audit and supervision department shall be responsible to and report work to the Audit Committee. The Audit Committee of the Company is responsible for supervising the work of the audit and supervision department and making advice and recommendations on the appraisal and change of the person-in-charge of the audit and supervision department.

In case significant risk management and internal control deficiencies are identified in the course of the review of the above risk management and internal control systems of the Company, the audit and supervision department of the Company will urge responsible person to rectify them within limited time and will report to the Board and the Audit Committee of the results of the rectification upon confirmation of such rectification by the independent internal control advisor.

The Company has formulated the Administrative Measures for Information Disclosure, which has provided guidance on the management, protection and proper disclosure of information that has not already been made to the public. The Directors, Supervisors, management and employees of the Company should strictly adhere to the statutory requirement, rules, regulations and in-house inside information requirements of the Company relating to their responsibilities of keeping information confidential.

No material risk management and internal control defects has been identified within the Company and its subsidiaries.

SHAREHOLDERS' RIGHT

As the owners of the Company, Shareholders are entitled to the various rights stipulated by laws, administrative rules and regulations and the Articles of Association. The general meeting is the supreme authority of the Company, through which Shareholders exercise their power. During the Reporting Period, the Company held two general meetings.

The Board and senior management of the Company understand that they are representing the interests of all the Shareholders of the Company and their first priority is to maintain the stable and continuous growth of Shareholders' investment returns in the long run and enhance the competitiveness of the business.

Corporate Governance Report (continued)

The procedures for Shareholders to convene a general meeting are as follows:

Shareholders severally or jointly holding more than 10% of Shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting or class meeting upon signing one or several written requests with the same content and format, and stating the subject of the meeting. If the Board agrees to convene the extraordinary general meeting or class meeting, it shall issue a notice of general meeting within 5 days upon the decision is made by the Board. If the Board disagrees to convene the extraordinary general meeting or class meeting, or does not reply within 10 days upon receipt of the proposal, Shareholders severally or jointly holding more than 10% of the Shares of the Company are entitled to request the Supervisory Committee in writing to hold an extraordinary general meeting or class meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting or class meeting, it shall issue a notice of general meeting within 5 days upon receipt of the proposal. If the Supervisory Committee does not issue the notice of general meeting within the prescribed period, it shall be deemed as the Supervisory Committee not convening and not holding the general meeting. After more than 90 consecutive days the Shareholders who severally or jointly hold more than 10% of the Shares of the Company may convene and hold the meeting themselves.

The procedures for proposing suggestions by relevant Shareholders at the general meeting are as follows:

Shareholder(s) severally or jointly holding more than 3% Shares of the Company may submit written provisional proposals through the Email as set out in the section headed "Corporate Information" of this annual report to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting to other Shareholders within 2 days upon receipt of such proposals and announce the contents of provisional proposals.

The procedures for enquiry from Shareholders to the Board are as follows:

Shareholders may make enquiries to the Board through contact information for investors set out in the section headed "Corporate Information" of this annual report.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

During the Reporting Period, the Company had highly valued investor relations and communicated with its investors and Shareholders in a pro-active, honest and open manner through a number of formal channels including general meetings, results teleconference, roadshows, in-house visits for investors and by way of telephone and emails for inquiry. The Board has formulated shareholders communications policy to ensure investors and Shareholders to access the public information of the Company that is comprehensive, identical and easy to understand in due course. The main channels for Shareholders to communicate with the Company are as follows:

1. Shareholders' Enquiries

1.1 Shareholders may direct their questions about their shareholdings to the Company's share registrar.

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

1.2 Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

1.3 Shareholders and the investment community shall be provided with the contact information (including addresses, telephone number and email addresses) of the Company in order to enable them to make any query in respect of the Company.

Securities Department of Chanjet Information Technology Company Limited

Address: Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing, the PRC

Tel: (8610) 6243 4214

Email: ir@chanjet.com

2. Corporate Communication*

2.1 Corporate communication will be provided to Shareholders in both English and Chinese versions to facilitate Shareholders' understanding.

2.2 Subject to the Listing Rules, the Company may choose to send or provide corporate communication to the Shareholders of the Company by electronic means or by publishing information on the websites of the Company and the Stock Exchange, in lieu of sending corporate communication to Shareholders by hand or by postage prepaid mail.

* "Corporate Communication" refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including, but not limited to, the annual report, interim report, notice of meeting, circular and proxy form.

3. Corporate Website

3.1 Information such as announcements, notices of meetings and circulars released by the Company is available on the HKEXnews website (www.hkexnews.hk) of the Stock Exchange.

3.2 Information released by the Company to the Stock Exchange is also posted on the dedicated "Investor Relations" section of the Company's website (www.chanjet.com) immediately thereafter.

4. Shareholders' Meetings

4.1 Relevant Shareholders may propose to convene a general meeting in accordance with the procedures stipulated in the Articles of Association.

4.2 Relevant Shareholders may submit proposals to the general meeting in accordance with the procedures stipulated in the Articles of Association.

4.3 Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

4.4 Appropriate arrangements for the annual general meetings shall be in place to encourage Shareholders' participation.

4.5 The Company will monitor the process of the general meeting and, if necessary, follow the statutory procedures to make changes in accordance with the Articles of Association and relevant laws and regulations to ensure that Shareholders' needs are best served.

4.6 Board members, in particular, either the chairmen of Board committees, major senior management and external auditors shall attend annual general meetings to answer Shareholders' questions.

4.7 Shareholders are encouraged to attend Shareholders' activities organised by the Company so as to keep abreast of the latest information of the Company.

5. Communications with the Investment Market

5.1 The Company maintains communications with Shareholders and investors through analyst briefings, investor meetings and performance roadshows, and actively responds to inquiries from Shareholders and investors.

5.2 The Directors and employees of the Company shall comply with the Listing Rules and the Company's information disclosure requirements when contacting or communicating with investors, analysts, media or other relevant external parties.

During the Reporting Period, the Board reviewed the implementation and effectiveness of the shareholders communications policy and considered that the shareholders communications policy of the Company had been properly implemented and effective after taking into account the actual situation of various existing shareholders' communication channels and Shareholders' participation in communication.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Company did not make any amendments to the Articles of Association.

Independent Auditor's Report

To the shareholders of Chanjet Information Technology Company Limited
(Established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Chanjet Information Technology Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 99 to191, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "**Code**") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	**How our audit addressed the key audit matters**
Assessment of impairment of an investment in an associate	
As at 31 December 2023, the Group held an investment in an associate, Beijing Chanjet Payment Technology Co., Ltd. ("**Chanjet Payment**"), under the equity method of accounting, amounting to RMB67,060,000. The Group recognised a provision for impairment amounting to RMB51,058,000 at 31 December 2023. The carrying amount of the investment after the provision for impairment was RMB16,002,000. An investment in an associate is subject to impairment assessment when there is an indication of impairment. The recoverable amount of the investment in Chanjet Payment was determined by management. Significant management judgements and estimates were required to determine the expected future cash flows and the assumptions used, including growth rates and discount rates applied. Disclosures about accounting policies, significant accounting judgements and estimates and the investment in the associate are included in notes 2.4, 3 and 16 to the financial statements.	Our audit procedures included, among others, evaluating the assessments made by management on the existence of impairment indication on the investment in Chanjet Payment, obtaining an understanding of the process of estimating the future cash flows. Furthermore, we involved our internal valuation experts to assist us in evaluating the long-term growth rates and the discount rates. We also evaluated the expected cash flow projection prepared by management by reference to the historical data, budget, available market information, etc. We also assessed whether the disclosures in the financial statements meet the requirements of the financial reporting framework applicable to the Group.

Independent Auditor's Report (continued)

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

The engagement partner on the audit resulting in this independent auditor's report is Tsang Pang Sum Joe.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**800,621**	680,149
Cost of sales and services provided	6	**(262,022)**	(266,541)
Gross profit		**538,599**	413,608
Other income and gains, net	5	**136,398**	59,691
Research and development costs	6	**(247,340)**	(271,725)
Selling and distribution expenses		**(335,535)**	(308,116)
Administrative expenses		**(67,943)**	(86,312)
Impairment losses on financial assets		**(628)**	(2)
Other expenses		**(592)**	(15,484)
Finance costs	7	**(989)**	(2,131)
Share of loss of an associate	16	**(274)**	(1,484)
Profit/(loss) before tax	6	**21,696**	(211,955)
Income tax expense	10	**(5,820)**	(140)
Profit/(loss) for the year		**15,876**	(212,095)
Attributable to:			
Owners of the parent	12	**15,876**	(212,095)
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic *(RMB cents)*	12	**5.0**	(70.8)
Diluted *(RMB cents)*	12	**5.0**	(71.0)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 *RMB'000*	2022 *RMB'000*
Profit/(loss) for the year	**15,876**	(212,095)
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**38**	209
Other comprehensive income for the year, net of tax	**38**	209
Total comprehensive income/(loss) for the year	**15,914**	(211,886)
Attributable to:		
Owners of the parent	**15,914**	(211,886)

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	13	3,346	6,775
Right-of-use assets	14	6,766	12,804
Intangible assets	15	985	5,307
Investment in an associate	16	16,002	16,276
Equity investments at fair value through profit or loss	17	63,310	30,014
Deferred tax assets	27	12,533	18,347
Prepayments, other receivables and other assets	20	65,122	67,012
Cash and bank balances	22	150,712	–
Total non-current assets		318,776	156,535
Current assets			
Inventories	18	954	815
Trade and bills receivables	19	57,076	45,373
Prepayments, other receivables and other assets	20	168,868	146,829
Financial assets at fair value through profit or loss	21	153,055	–
Cash and bank balances	22	886,853	1,169,225
Total current assets		1,266,806	1,362,242
Current liabilities			
Trade payables	23	14,012	20,074
Contract liabilities	24	402,134	331,515
Other payables and accruals	25	130,100	293,304
Lease liabilities	14	6,546	6,567
Total current liabilities		552,792	651,460
Net current assets		714,014	710,782
Total assets less current liabilities		1,032,790	867,317

Consolidated Statement of Financial Position (continued)

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current liabilities			
Lease liabilities	14	**218**	6,185
Contract liabilities	24	**145,924**	109,957
Long-term liabilities	26	**16,990**	38,862
Total non-current liabilities		**163,132**	155,004
Net assets		**869,658**	712,313
Equity			
Equity attributable to owners of the parent			
Issued capital	28	**325,772**	325,772
Treasury shares held under the employee trust benefit scheme and employee share ownership scheme	29	**(28,519)**	(113,228)
Reserves	30	**572,405**	499,769
Total equity		**869,658**	712,313

Wang Wenjing
Director

Yang Yuchun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent								
	Issued capital *RMB'000*	Capital reserve *RMB'000*	Statutory reserve (i) *RMB'000*	Treasury shares held under the employee trust benefit scheme and employee share ownership scheme (ii) *RMB'000*	Merger reserve *RMB'000*	Share-based payment reserve (iii) *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2022	325,772	808,384	76,815	(169,700)	(4)	8,698	1,627	(128,203)	923,389
Loss for the year	–	–	–	–	–	–	–	(212,095)	(212,095)
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	–	–	209	–	209
Total comprehensive loss for the year	–	–	–	–	–	–	209	(212,095)	(211,886)
Share-based payments *(note 29)*	–	–	–	–	–	810	–	–	810
Shares vested under the employee trust benefit scheme *(note 29)*	–	(55,598)	–	56,472	–	(874)	–	–	–
Statutory surplus reserve compensation	–	–	(76,374)	–	–	–	–	76,374	–
At 31 December 2022	325,772	752,786*	441*	(113,228)	(4)*	8,634*	1,836*	(263,924)*	712,313

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2023

	Attributable to owners of the parent								
	Issued capital *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Treasury shares held under the employee trust benefit scheme and employee share ownership scheme (ii) *RMB'000*	Merger reserve *RMB'000*	Share-based payment reserve (iii) *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2023	325,772	752,786*	441*	(113,228)	(4)*	8,634*	1,836*	(263,924)*	712,313
Profit for the year	–	–	–	–	–	–	–	15,876	15,876
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	–	–	38	–	38
Total comprehensive income for the year	–	–	–	–	–	–	38	15,876	15,914
Shares vested under the employee share ownership scheme *(note 29)*	–	647	–	–	–	(647)	–	–	–
Rearrangement of share purchased for employee share ownership scheme (ii)	–	56,472	–	84,709	–	–	–	–	141,181
Share-based payments *(note 29)*	–	–	–	–	–	250	–	–	250
At 31 December 2023	325,772	809,905*	441*	(28,519)	(4)*	8,237*	1,874*	(248,048)*	869,658

* These reserve accounts comprise the consolidated reserves of RMB572,405,000 (2022: RMB499,769,000) in the consolidated statement of financial position.

Notes:

(i) On 10 May 2022, pursuant to the statutory surplus reserves loss compensation plan approved at the annual general meeting, the Company's statutory reserve was used to recover the accumulated losses, with a total amount of RMB76,373,544.

(ii) Treasury shares held under the employee trust benefit scheme (the "**Employee Trust Benefit Scheme**") represent the shares held by the trustees for the implementation of the Employee Trust Benefit Scheme which Chanjet Information Technology Company Limited (the "**Company**") entrusted the trustees to successively purchase from domestic shareholders or open market. Treasury shares held under the employee share ownership scheme (the "**Employee Share Ownership Scheme**") represent the shares held by the limited partnerships for the implementation of the Employee Share Ownership Scheme. On 30 March 2023, Yonyou Up Information Technology Co., Ltd (the "**Yonyou Up**") (a fellow subsidiary of the Company) issued a confirmation letter to agree that before domestic shares can be traded publicly, it shall purchase as the transferee all shares to be transferred by the shareholding platform under the Employee Share Ownership Scheme when unlocked incentive shares are redeemed and incentive shares which have not been unlocked are exited.

(iii) The share-based payment reserve represents the cost of equity-settled transactions under the schemes, which are described in note 29 to the financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Operating activities			
Profit/(loss) before tax		**21,696**	(211,955)
Adjustments for:			
Finance costs	7	**989**	2,131
Exchange gains, net	5/6	**(1,189)**	(6,769)
Share of loss of an associate	16	**274**	1,484
Interest income	5	**(25,212)**	(33,870)
Fair value (gains)/losses, net	5	**(40,179)**	7,895
Share-based payment expense	6/29	**250**	810
Depreciation of property, plant and equipment	6/13	**3,927**	3,980
Depreciation of right-of-use assets	6/14	**7,057**	6,545
Amortisation of intangible assets	6/15	**4,643**	7,764
Gains on disposal of right-of-use assets		**(4)**	–
Gains on disposal of property, plant and equipment		**(16)**	(91)
Others		**1,384**	–
Gain on disposal of the Finance & Taxation Practical Skills Training Product and Service Business	5/6	**(43,755)**	–
Impairment of prepayments, other receivables and other assets	20	**72**	–
Impairment of trade receivables	19	**556**	2
Impairment of an investment in an associate	16	**–**	14,950
		(69,507)	(207,124)
Increase in inventories		**(139)**	(92)
Increase in trade and bills receivables		**(12,259)**	(187)
Increase in prepayments, other receivables, other assets and interest receivables		**(20,067)**	(47,833)
(Decrease)/increase in trade payables		**(6,062)**	1,876
Increase in contract liabilities		**106,586**	69,535
(Decrease)/increase in other payables and accruals		**(22,929)**	23,021
Decrease in long-term liabilities		**(22,432)**	(1,284)
Cash used in operations		**(46,809)**	(162,088)
Interest received		**4,767**	2,975
Income taxes refunded		**–**	3
Income taxes paid		**(6)**	(5)
Net cash flows used in operating activities		**(42,048)**	(159,115)

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Investing activities			
Purchases of items of property, plant and equipment		(790)	(3,332)
Proceeds from disposal of items of property, plant and equipment		263	242
Proceeds from the disposal of the Finance & Taxation Practical Skills Training Product and Service Business		43,800	–
Purchases of intangible assets		(321)	(98)
(Purchases)/refund of non-pledged time deposits with original maturity of more than three months when acquired and time deposits restricted from being used		(7,671)	400,718
Interest on non-pledged time deposits with original maturity more than three months when acquired		45,672	17,368
Purchases of financial investments		(200,000)	(50,000)
Proceeds from disposal of financial investments		50,000	150,000
Gains on financial investments		345	1,898
Repayment of equity investments at fair value through profit or loss		3,500	3,139
Others		(490)	–
Net cash flows (used in)/from investing activities		(65,692)	519,935
Financing activities			
Principal portion of lease payments		(7,003)	(6,516)
Interest paid on lease payments		(429)	(666)
Net cash flows used in financing activities		(7,432)	(7,182)
Net (decrease)/increase in cash and cash equivalents		(115,172)	353,638
Cash and cash equivalents at the beginning of year		899,740	539,433
Effect of foreign exchange rate changes, net		1,221	6,669
Cash and cash equivalents at the end of year		785,789	899,740
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the statement of financial position	22	886,853	1,169,225
Non-pledged time deposits with original maturity of more than three months when acquired	22	(90,000)	(232,329)
Restricted cash and bank balances and interest receivables	22	–	(9)
Unrestricted interest receivables	22	(11,064)	(37,147)
Cash and cash equivalents as stated in the statement of cash flows		785,789	899,740

1. CORPORATE AND GROUP INFORMATION

The Company, formerly known as Chanjet Software Company Limited, was established in the People's Republic of China (the "**PRC**") as a company with limited liability on 19 March 2010. The Company became a joint stock company with limited liability on 8 September 2011 in the PRC and changed its name to Chanjet Information Technology Company Limited. The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 26 June 2014. The registered office of the Company is located at Floor 3, Building 3, Yard 9, Yongfeng Road, Haidian District, Beijing, the PRC.

During the year, the Group was involved in the technical development, consulting, transfer, service and training of computer software, hardware and external devices, the sale of typing paper, computer consumables, computer software and hardware and external devices, and the provision of database service; design, manufacturing, agency and publication of advertisement; internet information service; agency bookkeeping.

The holding company of the Company is Yonyou Network Technology Co., Ltd. ("**Yonyou**"), which was established in the PRC, and the ultimate controlling party of the Company is Wang Wenjing.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of registered capital	Percentage of equity attributable to the Company		Principal activities	Legal category
			Direct	Indirect		
Chanjet Information Technology Corporation ("**Chanjet U.S.**") *(note (a))*	California, the United States 5 November 2012	USD15,500,000	100.00	–	Technical development of computer software	Limited liability corporation
Beijing Chanjet Yunhui Information Technology Co., Ltd. ("**Chanjet Yunhui**") *(note (b))*	Beijing, Chinese Mainland 12 April 2019	RMB10,000,000	100.00	–	Technical development, transfer and service of computer software	Limited liability corporation

Notes:

(a) The paid-in capital of Chanjet U.S. as at 31 December 2023 was USD10,300,000.

(b) The paid-in capital of Chanjet Yunhui as at 31 December 2023 was RMB1,500,000.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and wealth management products at fair value through profit or loss. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures

The Group has adopted following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) As the Group did not have contracts within the scope of IFRS 17, the standard did not have any impact on the financial position or performance of the Group.

(b) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(c) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(d) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(e) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following revised IFRSs that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

[1] Effective for annual periods beginning on or after 1 January 2024

[2] Effective for annual periods beginning on or after 1 January 2025

[3] No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

2. ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective International Financial Reporting Standards (continued)

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	16.2%
Office equipment, furniture and fittings	20.0%-33.3%
Leasehold improvements	33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software copyrights and licences

Purchased software copyrights and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products of five years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office buildings	1-3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings and other equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of other equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primary derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and an amount due to the ultimate holding company.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Income tax (continued)

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sales of products

The Group's contracts for sales of software commonly involve the delivery of software as well as post-contract support services ("**PCS**"). Software is a right to use license because the software has standalone functionality and the customer can use the software as it is available at a point in time. Licenses are typically delivered by providing the customer an activation code with access to download the software. Contracts for bundled sales of software and PCS are comprised of two performance obligations because the promises to transfer the software and provide PCS are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the software and PCS. Revenue from the sales of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the software while revenue from PCS is recognised over time.

(b) Rendering of services

The Group provides cloud services. Revenue from cloud services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of the service period expended relative to the total service period to complete the service.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Group operates an employee trust benefit scheme and an employee share ownership scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 37 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of treasury shares acquired for the schemes is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Company and its subsidiary which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government, which is a defined contribution plan. The Company and its subsidiary are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The employee of Chanjet U.S. participates in the applicable defined contribution plan in accordance with relevant local laws and regulations. Chanjet U.S. is required to contribute a certain percentage of their payroll costs to the defined contribution plan. The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution plan.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

2. ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of an overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of an overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as the Group that does not enter into financing transactions). The Group estimates the IBR using observable inputs (such as market interest rates) when available.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs to disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit, and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 was RMB20,698,000 (2022: RMB19,693,000). The amount of unrecognised tax losses at 31 December 2023 was RMB800,732,000 (2022: RMB595,557,000). Further details are contained in note 27 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 36 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2023 was RMB63,310,000 (2022: RMB30,014,000). Further details are included in note 17 to the financial statements.

Useful life of an intangible asset

The useful life of software is estimated based on historical experience, which includes the actual useful lives of similar assets and changes in technology.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield and making assumptions about them. Continuous estimation is required for the calculation of the cumulative share-based payment cost at each reporting date until vesting, including estimate of the number of incentive shares that will vest. Details of share-based payments are contained in note 29 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The cloud service business constituted a significant part of the Group's operations. Resource allocation and performance assessment are managed on a group basis.

Therefore, for management purposes, the Group's operating activities are attributable to a single reportable segment, and no analysis by operating segment is presented.

Geographical information

Since most of the Group's revenue was in Chinese Mainland and 99% of the Group's identifiable non-current assets were located in Chinese Mainland, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about a major customer

Since no revenue amounting to 10% or more of the Group's revenue was derived from sales to a single customer during the year, including sales to a group of entities which are known to be under common control with any customer, no major customer information in accordance with IFRS 8 *Operating Segments* is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Revenue from contracts with customers		
Sale of products	**215,954**	173,093
Rendering of services	**582,607**	504,784
Sale of purchased goods	**2,060**	2,272
Total	**800,621**	680,149

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Types of goods or services		
Sale of products	215,954	173,093
Rendering of services	582,607	504,784
Sale of purchased goods	2,060	2,272
Total revenue from contracts with customers	800,621	680,149
Geographical market		
Chinese Mainland	800,621	680,149
Total revenue from contracts with customers	800,621	680,149
Timing of revenue recognition		
Goods/services transferred at a point in time	290,183	268,209
Services transferred over time	510,438	411,940
Total revenue from contracts with customers	800,621	680,149

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
External customers	800,621	680,149
Total revenue from contracts with customers	800,621	680,149

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of services	**283,099**	221,941

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of products and payment in advance is normally required. No contract provides customers with a right of return which gives rise to variable consideration subject to constraint.

Rendering of services

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

As at 31 December 2023,the amount of contract liabilities included in the current portion is approximately RMB402,134,000 (2022: RMB331,515,000). The amounts expected to be recognised as revenue within one year are affected when the end customer starts to use.

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

An analysis of other income and gains, net is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Other income		
Value-added tax refunds	20,190	21,076
Additional deduction of input value-added tax	862	1,750
Government grants	4,335	2,849
Interest income	25,212	33,870
Others	38	674
Total other income	50,637	60,219
Gains/(losses), net		
Fair value gains/(losses),net:		
Equity investments and wealth management products at fair value through profit or loss *(note 1)*	40,179	(7,895)
Gain on disposal of the Finance & Taxation Practical Skills Training Product and Service Business *(note 2)*	43,755	–
Exchange gains, net	1,189	6,769
Others	638	598
Total gains/(losses), net	85,761	(528)
Total other income and gains, net	136,398	59,691

Notes:

(1) Further details of equity investments and wealth management products at fair value through profit or loss are set out in notes 17 and 21 to the financial statements.

(2) Further details of the gain on disposal of the Finance & Taxation Practical Skills Training Product and Service Business are set out in note 34 (a) transactions with related parties to the financial statements.

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2023 RMB'000	2022 RMB'000
Cost of products sold		1,069	2,212
Cost of services provided		259,396	262,762
Cost of purchased goods sold		1,557	1,567
Cost of sales and services provided		262,022	266,541
Depreciation of property, plant and equipment	13	3,927	3,980
Depreciation of right-of-use assets	14	7,057	6,545
Amortisation of intangible assets *(note 1)*	15	4,643	7,764
Lease payments not included in the measurement of lease liabilities	14	2,271	2,888
Research and development costs *(note 2)*		247,340	271,725
Auditor's remuneration *(note 3)*		2,044	1,440
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration):			
Wages and salaries		427,287	483,983
Equity-settled share-based payment expense		250	810
Pension scheme contributions *(note 4)*		43,161	41,614
Total		470,698	526,407
Foreign exchange differences, net		(1,189)	(6,769)
Impairment of an investment in an associate	16	–	14,950
Impairment of financial assets		628	2
Fair value (gains)/losses, net:			
Equity investments and wealth management products at fair value through profit or loss	5	(40,179)	7,895
Gain on disposal of the Finance & Taxation Practical Skills Training Product and Service Business		(43,755)	–

6. PROFIT/(LOSS) BEFORE TAX (continued)

Notes:

(1) During the year ended 31 December 2023, amortisation of intangible assets of approximately RMB4,206,000 (2022: RMB7,177,000) was included in "Cost of sales and services provided" in the consolidated statement of profit or loss.

(2) During the year ended 31 December 2023, research and development costs of approximately RMB229,261,000 (2022: RMB252,356,000) were included in employee benefit expenses.

(3) During the year ended 31 December 2023, the auditor's remuneration includes other professional service fees in addition to audit service fees.

(4) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Interest on lease liabilities	429	666
Others	560	1,465
Total	989	2,131

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Fees[1]	**610**	610
Other emoluments:		
Salaries, allowances and benefits in kind	**2,127**	2,245
Performance related bonuses	**2,650**	7,912
Social security contributions other than pension[2]	**256**	225
Equity-settled share-based payment expense	**24**	77
Pension scheme contributions[3]	**181**	161
Subtotal	**5,238**	10,620
Total	**5,848**	11,230

1 Directors and supervisors, except for independent non-executive directors and independent supervisors, did not receive any remuneration for their services in the respective capacities as directors and supervisors. During the years ended 31 December 2023 and 2022, no remuneration was paid by the Group to any directors, supervisors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

2 The social security contributions other than pension represented the Group's statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

3 The pension scheme contributions represented the Group's statutory contributions to a defined contribution pension scheme organised by the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

On 28 December 2020, a director was granted incentive shares, in respect of his service to the Group, under the employee share ownership scheme of the Company. Further details are set out in note 29 to the financial statements. The fair value of such incentive shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the reporting period is included in the above directors' and chief executive's remuneration disclosures.

As of 31 December 2023 and at any time during the reporting period, save as set out in note 34 to the financial statements, there were no material interests of directors or supervisors in the transactions, arrangements or contracts entered into by the Company or the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023	2022
	RMB'000	*RMB'000*
Mr. Lau, Chun Fai Douglas	**150**	150
Mr. Chen Shuning[4]	**–**	87
Ms. Wu Xiaoqing[4]	**150**	63
Mr. Chen, Kevin Chien-wen[5]	**100**	150
Mr. Cui Qiang[5]	**50**	–
Total	**450**	450

[4] Mr. Chen Shuning has tendered his resignation as an independent non-executive director, and Ms. Wu Xiaoqing has been appointed as an independent non-executive director since 26 July 2022 in place of Mr. Chen Shuning.

[5] Mr. Chen, Kevin Chien-wen has retired as an independent non-executive director, and Mr. Cui Qiang has been appointed as an independent non-executive director since 8 September 2023 in place of Mr. Chen, Kevin Chien-wen.

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive director and non-executive directors

The Company's board of directors ("**Board**") was comprised of one (2022: one) executive director whose name was Mr. Yang Yuchun and two (2022: two) non-executive directors whose names were Mr. Wang Wenjing and Mr. Wu Zhengping. Directors' and chief executive's remuneration for the year is as follows:

2023	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Social security contributions other than pension[2]	Equity-settled share-based payment expense	Pension scheme contributions[3]	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors:							
Mr. Wang Wenjing	–	–	–	–	–	–	–
Mr. Wu Zhengping	–	–	–	–	–	–	–
Executive director:							
Mr. Yang Yuchun	–	1,506	2,451	89	24	63	4,133
Total	–	1,506	2,451	89	24	63	4,133

2022	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Social security contributions other than pension[2]	Equity-settled share-based payment expense	Pension scheme contributions[3]	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors:							
Mr. Wang Wenjing	–	–	–	–	–	–	–
Mr. Wu Zhengping	–	–	–	–	–	–	–
Executive director:							
Mr. Yang Yuchun	–	1,506	7,623	80	77	58	9,344
Total	–	1,506	7,623	80	77	58	9,344

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(c) Chief executive

Mr. Yang Yuchun was also the chief executive of the Company.

Notes to Financial Statements (continued)

31 December 2023

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(d) Supervisors

2023	Fees[1]	Salaries, allowances and benefits in kind	Performance-related bonuses	Social security contributions other than pension[2]	Pension scheme contributions[3]	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shareholder representative supervisors:						
Mr. Guo Xinping	–	–	–	–	–	–
Mr.Zhang Peilin[6]	–	–	–	–	–	–
Independent supervisors:						
Mr. Ruan Guangli	80	–	–	–	–	80
Mr. Ma Yongyi	80	–	–	–	–	80
Employee representative supervisors (as the employees of the Company):						
Ms. Xia Yuhan	–	332	133	85	60	610
Ms. Ren Jie	–	289	66	82	58	495
Total	160	621	199	167	118	1,265

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(d) Supervisors (continued)

2022	Fees[1]	Salaries, allowances and benefits in kind	Performance-related bonuses	Social security contributions other than pension[2]	Pension scheme contributions[3]	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shareholder representative supervisors:						
Mr. Guo Xinping	–	–	–	–	–	–
Mr. Xu Zhoujin[6]	–	–	–	–	–	–
Mr.Zhang Peilin[6]	–	–	–	–	–	–
Independent supervisors:						
Mr. Ruan Guangli	80	–	–	–	–	80
Mr. Ma Yongyi	80	–	–	–	–	80
Employee representative supervisors (as the employees of the Company):						
Ms. Xia Yuhan	–	331	206	73	52	662
Ms. Ren Jie	–	408	83	72	51	614
Total	160	739	289	145	103	1,436

6 Mr. Xu Zhoujin has resigned from the position as a shareholder representative supervisor of the Company due to job transfer with effect from 6 May 2022. As approved by the shareholders' meeting of the Company, Mr. Zhang Peilin has been appointed as a shareholder representative supervisor of the Company since 26 July 2022 in place of Mr. Xu Zhoujin.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: one), Mr. Yang Yuchun, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are not a director, a supervisor, or chief executive of the Company are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,913**	3,957
Performance-related bonuses	**5,038**	13,673
Social security contributions other than pension	**355**	325
Equity-settled share-based payment expense	**39**	124
Pension scheme contributions	**253**	231
Total	**9,598**	18,310

During the years ended 31 December 2023 and 2022, no remuneration was paid by the Group as an inducement to the five highest paid individuals for joining or upon joining the Group. During the years ended 31 December 2023 and 2022, no remuneration was paid by the Group as a compensation to the five highest paid individuals for loss of office. None of the five highest paid individuals has waived any remuneration during the years ended 31 December 2023 and 2022.

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**2**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	1
Total	**4**	4

On 28 December 2020, incentive shares were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group. Further details are included in the disclosures in note 29 to the financial statements. The fair value of such incentive shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the reporting period is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

	2023	2022
	RMB'000	*RMB'000*
Current tax	**6**	2
Deferred tax	**5,814**	138
Total tax charge for the year	**5,820**	140

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% was applied to the Company and its subsidiary which is in Chinese Mainland for the years ended 31 December 2023 and 2022.

The Company was subject to income tax at the rate of 15% as a qualified high and new technology enterprise and entitled to deduct qualifying research and development expense from taxable profit during the years ended 31 December 2023 and 2022.

The subsidiary incorporated in the United States was subject to income tax at the rate of 21% for the years ended 31 December 2023 and 2022.

10. INCOME TAX (continued)

A reconciliation of the income tax expense applicable to profit/(loss) before tax at the respective applicable rates for the Group to the income tax charge at the effective tax rate is as follows:

2023	**Chinese Mainland** *RMB'000*	**%**	**USA** *RMB'000*	**%**	**Total** *RMB'000*	**%**
Profit/(loss) before tax	**21,915**		**(219)**		**21,696**	
Tax at the applicable tax rate	**5,479**	**25.0**	**(46)**	**21.0**	**5,433**	**25.0**
Effect of different income tax rates *(note 1)*	**(3,878)**	**(17.7)**	**–**	**–**	**(3,878)**	**(17.9)**
Effect of tax incentives *(note 2)*	**(52,500)**	**(239.6)**	**–**	**–**	**(52,500)**	**(242.0)**
Loss attributable to an associate	**68**	**0.3**	**–**	**–**	**68**	**0.3**
Expenses not deductible for tax *(note 3)*	**10,875**	**49.6**	**6**	**(2.7)**	**10,881**	**50.2**
Tax losses and deductible temporary differences not recognised	**45,770**	**208.9**	**46**	**(21.0)**	**45,816**	**211.2**
Tax charge at the Group's effective rate	**5,814**	**26.5**	**6**	**(2.7)**	**5,820**	**26.8**

2022	Chinese Mainland *RMB'000*	%	USA *RMB'000*	%	Total *RMB'000*	%
Loss before tax	(211,769)		(186)		(211,955)	
Tax at the applicable tax rate	(52,942)	25.0	(39)	21.0	(52,981)	25.0
Effect of different income tax rates *(note 1)*	(92)	0.1	–	–	(92)	0.1
Effect of tax incentives *(note 2)*	(47,995)	22.7	–	–	(47,995)	22.6
Loss attributable to an associate	371	(0.2)	–	–	371	(0.2)
Expenses not deductible for tax *(note 3)*	15,375	(7.3)	5	(2.7)	15,380	(7.3)
Tax losses and deductible temporary differences not recognised	85,421	(40.3)	39	(21.0)	85,460	(40.3)
Others	–	–	(3)	1.6	(3)	–
Tax charge at the Group's effective rate	138	(0.1)	2	(1.1)	140	(0.1)

10. INCOME TAX (continued)

Notes:

(1) The effect of different income tax rates represented the reduced amount of tax payable due to income tax exemption in the year. The Company was subject to a 15% income tax rate for the years ended 31 December 2023 and 2022.

(2) The effect of tax incentives represented income tax benefits on research and development expenditure.

High-technology enterprises were also entitled to deduct qualifying research and development expenses from taxable profits. During the first three quarters of 2022, the Company was entitled to an additional 75% of deduction of research and development expenditure for tax declaration. During the fourth quarter of 2022 and during the year of 2023, the Company was entitled to an additional 100% of deduction of research and development expenditure for tax declaration.

(3) The expenses not deductible for tax mainly comprised entertainment expenses exceeding the deductible limit and non-deductible share-based payment expenses and other non-qualified deductible expenses.

The share of tax attributable to an associate amounting to RMB68,000 (2022: RMB371,000) is included in "Share of loss of an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

The Board did not recommend the distribution of any final dividend for the year ended 31 December 2023 (2022: Nil).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 318,525,725 (2022: 299,710,962) in issue during the year, as adjusted to reflect the target shares purchased by the trustees and target shares vested under the Employee Trust Benefit Scheme and Employee Share Ownership Scheme.

The calculation of the diluted earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares, which includes the weighted average number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

Notes to Financial Statements (continued)

31 December 2023

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	2023 *RMB'000*	2022 *RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculation	**15,876**	(212,095)
Adjusted profit/(loss) attributable to ordinary equity holders of the parent	**15,876**	(212,095)

	Number of shares 2023	 2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**318,525,725**	299,710,962
Adjustment for the Employee Share Ownership Scheme	**–**	(1,102,390)
Weighted average number of ordinary shares for the purpose of the diluted earnings/(loss) per share calculation	**318,525,725**	298,608,572

13. PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fittings *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2023	15,649	1,103	1,367	18,119
Additions	790	–	–	790
Disposals	(2,090)	–	–	(2,090)
Exchange realignment	–	5	–	5
At 31 December 2023	14,349	1,108	1,367	16,824
Accumulated depreciation:				
At 1 January 2023	(9,672)	(1,069)	(603)	(11,344)
Charge for the year	(3,471)	–	(456)	(3,927)
Disposals	1,798	–	–	1,798
Exchange realignment	–	(5)	–	(5)
At 31 December 2023	(11,345)	(1,074)	(1,059)	(13,478)
Net book value:				
At 31 December 2023	3,004	34	308	3,346
Cost:				
At 1 January 2022	19,215	1,080	1,195	21,490
Additions	3,160	–	172	3,332
Disposals	(6,726)	–	–	(6,726)
Exchange realignment	–	23	–	23
At 31 December 2022	15,649	1,103	1,367	18,119
Accumulated depreciation:				
At 1 January 2022	(12,689)	(1,047)	(176)	(13,912)
Charge for the year	(3,553)	–	(427)	(3,980)
Disposals	6,570	–	–	6,570
Exchange realignment	–	(22)	–	(22)
At 31 December 2022	(9,672)	(1,069)	(603)	(11,344)
Net book value:				
At 31 December 2022	5,977	34	764	6,775

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of office buildings and other equipment used in its operations. Leases of office buildings generally have lease terms between 1 and 3 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office buildings
	RMB'000
As at 1 January 2023	**12,804**
Additions	**1,054**
Adjustment	**(35)**
Depreciation charge	**(7,057)**
As at 31 December 2023	**6,766**
As at 1 January 2022	2,037
Additions	17,453
Adjustment	(141)
Depreciation charge	(6,545)
As at 31 December 2022	12,804

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023	2022
	RMB'000	*RMB'000*
Carrying amount at 1 January	**12,752**	1,961
New leases	**1,054**	17,453
Adjustment	**(39)**	(146)
Accretion of interest recognised during the year	**429**	666
Payments	**(7,432)**	(7,182)
Carrying amount at 31 December	**6,764**	12,752
Analysed into:		
Current portion	**6,546**	6,567
Non-current portion	**218**	6,185

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**429**	666
Depreciation charge of right-of-use assets	**7,057**	6,545
Expense relating to short-term leases (included in administrative expenses and selling and distribution expenses)	**1,745**	2,247
Expense relating to leases of low-value assets (included in administrative expenses)	**526**	641
Total amount recognised in profit or loss	**9,757**	10,099

Notes to Financial Statements (continued)

31 December 2023

14. LEASES (continued)

The Group as a lessee (continued)

(d) Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. There are no period following the exercise date of extension and termination options that are not included in the lease terms.

(e) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within operating activities	**2,271**	2,888
Within financing activities	**7,432**	7,182
Total	**9,703**	10,070

15. INTANGIBLE ASSETS

	Software copyrights and licenses RMB'000	Cloud application and platform RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	752	4,186	369	5,307
Additions	321	–	–	321
Amortisation	(270)	(4,186)	(187)	(4,643)
At 31 December 2023	803	–	182	985
At 31 December 2023:				
Cost	4,209	180,312	1,699	186,220
Accumulated amortisation	(3,406)	(180,312)	(1,517)	(185,235)
Net carrying amount	803	–	182	985
At 1 January 2022	1,143	11,363	467	12,973
Additions	–	–	98	98
Transfer	(139)	–	139	–
Amortisation	(252)	(7,177)	(335)	(7,764)
At 31 December 2022	752	4,186	369	5,307
At 31 December 2022:				
Cost	3,888	180,312	1,691	185,891
Accumulated amortisation	(3,136)	(176,126)	(1,322)	(180,584)
Net carrying amount	752	4,186	369	5,307

16. INVESTMENT IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Investment in an associate	**67,060**	67,334
Provision for impairment	**(51,058)**	(51,058)
Total	**16,002**	16,276

The Group had no trade receivable and payable balances with the associate. The Group's contract liability balance with the associate is disclosed in note 34 to the financial statements.

Particulars of the associate is as follows:

Name	Nominal value of registered share capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Chanjet Payment	RMB 200,000,000	Beijing, China	19.28	Internet payment, bank card receipt and technical development

The Group's shareholding in the associate comprises equity shares held by the Company.

The amounts of current assets, non-current assets, current liabilities and net assets as at 31 December 2023 of Chanjet Payment adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements were RMB292,890,000 (2022: RMB370,249,000), RMB701,000 (2022: RMB730,000), RMB185,086,000 (2022: RMB259,587,000) and RMB108,505,000 (2022: RMB111,392,000), respectively.

As at 31 December 2023, the Group's share of net assets of the Chanjet Payment was RMB20,920,000 (2022: RMB21,476,000) and the carrying amount of the investment after the fair value adjustments made at the time of disposal and provision for impairment was RMB16,002,000 (2022: RMB16,276,000).

The amount of revenue for the year ended 31 December 2023 of Chanjet Payment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements was RMB18,342,000 (2022: RMB111,574,000).

The share of Chanjet Payment's loss and total comprehensive loss for the year ended 31 December 2023 were RMB274,000 (2022: RMB1,484,000) and RMB274,000 (2022: RMB1,484,000), respectively.

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted equity investments, at fair value		
Beijing Yonyou Happiness Yunchuang Entrepreneurship Investment Centre (Limited Partnership)	2,097	1,775
Yonyou Mobile Telecommunications Technology Service Co., Ltd. ("**Yonyou Mobile**")	59,785	26,811
Xi'an Rongke Telecommunications Technology Co., Ltd.	1,428	1,428
Total	63,310	30,014

The above equity investments as at 31 December 2023 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	580	552
Purchased software	374	5,921
	954	6,473
Impairment	–	(5,658)
Total	954	815

Inventory impairment allowance of approximately RMB5,658,000 has been written off in 2023.

19. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	57,967	45,858
Bills receivables	150	–
Impairment allowance	(1,041)	(485)
Net carrying amount	57,076	45,373

Except for a few of the clients who are granted an average trade credit term around 90 days by the Group, main customers are required to make payments in advance. For Strategic and key customers, the Group's trading credit terms could be extended appropriately. The Group seeks to maintain strict control over its outstanding receivables. In view of the aforementioned and the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing. Amounts included in trade and bills receivables were denominated in RMB.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	45,886	31,148
91 days to 180 days	5,524	10,849
181 days to 1 year	2,334	1,072
1 to 2 years	2,824	2,304
Over 2 years	508	–
Total	57,076	45,373

19. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of the year	(485)	(483)
Impairment losses	(556)	(2)
At end of year	(1,041)	(485)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if they past due for more than three years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Within 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.70%	5.21%	50.00%	
Gross carrying amount (RMB'000)	53,971	2,980	1,016	57,967
Expected credit losses (RMB'000)	378	155	508	1,041

As at 31 December 2022

	Within 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.82%	5.33%	–	
Gross carrying amount (RMB'000)	43,424	2,434	–	45,858
Expected credit losses (RMB'000)	355	130	–	485

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	RMB'000	*RMB'000*
Staff advances	**490**	643
Share purchase fund and dividend held by the trustee for share-based payments *(notes 1 and 2)*	**6,768**	6,615
Prepayments	**146,807**	106,598
Contract costs	**68,776**	92,131
Deposits, other receivables and other assets	**11,516**	8,145
	234,357	214,132
Impairment allowance	**(367)**	(291)
	233,990	213,841
Less: Non-current portion		
Share purchase fund and dividend held by the trustee for share-based payments *(notes 1 and 2)* :		
Long-term receivables	**6,768**	6,615
Prepayments	**42,058**	23,158
Contract costs	**14,055**	37,239
Other assets	**2,241**	–
	65,122	67,012
Current portion	**168,868**	146,829

Notes:

(1) The share purchase fund held by the trustee for share-based payments was paid to Hwabao Trust Co., Ltd. in order to purchase the target shares under the Employee Trust Benefit Scheme. As at 31 December 2023 and 2022, the share purchase fund has been deposited with an agreed deposit rate and will be collected when the Employee Trust Benefit Scheme expires and the trust is liquidated.

(2) The dividend paid for the invalid from the very beginning or lapsed shares held by the trustees under the Employee Trust Benefit Scheme will be collected by the Group when the Employee Trust Benefit Scheme expires, and the trust is liquidated.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Deposits and other receivables included rental deposits and deposits with suppliers.

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The credit risk exposure and expected credit losses for the amount due from the share purchase fund held by the trustee for share-based payments and deposits and other receivables were immaterial as at 31 December 2023 and 2022.

The financial assets included in the above balances relate to other receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 ***RMB'000***	2022 *RMB'000*
Wealth management products	**153,055**	–

The Group purchased various wealth management products issued by banks in Chinese Mainland. As at 31 December 2023, the Group purchased wealth management products with the cost of RMB150,000,000 (31 December 2022: Nil) from commercial banks. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The details and breakdown of the financial assets at fair value through profit or loss as at the 31 December 2023 are as follows:

Name of bank	**Nature of products**	**Commencement date**	**Expiry date**	**Principal amount** ***RMB'000***	**Carrying value** ***RMB'000***
Industrial Bank Co., Ltd.	Structured deposits	17 March 2023	15 March 2024	**50,000**	**51,230**
Bank of Nanjing Co., Ltd.	Structured deposits	22 March 2023	18 March 2024	**50,000**	**50,965**
China Construction Bank Corporation	Structured deposits	24 March 2023	24 March 2024	**50,000**	**50,860**
				150,000	**153,055**

22. CASH AND BANK BALANCES

	2023 *RMB'000*	2022 *RMB'000*
Cash on hand	**18**	18
Bank balances	**120,717**	118,910
Time deposits	**904,414**	1,043,732
Cash equivalents	**12,416**	6,565
	1,037,565	1,169,225
Less: Time deposits, non-current portion *(note)*	**150,712**	–
Cash and bank balances	**886,853**	1,169,225
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**90,000**	232,329
Cash and bank balances and interest receivables restricted from being used	**–**	9
Unrestricted interest receivables	**11,064**	37,147
Cash and cash equivalents as stated in the consolidated statement of cash flows	**785,789**	899,740

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are mainly deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

22. CASH AND BANK BALANCES (continued)

Note:

The time deposit is placed at ZhongGuanCun Bank Ltd. ("**ZhongGuanCun Bank**") The principal amount is RMB150,000,000, and the term is from 1 November 2023 to 1 November 2025. As at 31 December 2023, the amount of interest receivable is RMB712,000. The principal and interest of the time deposit have been classified at the non-current portion.

The Group's cash and bank balances are denominated in the following currencies:

	2023	2022
	RMB'000	*RMB'000*
RMB	**950,835**	1,086,404
HK$	**80,710**	76,689
US$	**6,020**	6,132
Total	**1,037,565**	1,169,225

The RMB is not freely convertible into other currencies. However, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks which are authorised to conduct foreign exchange business.

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**10,479**	16,686
91 days to 1 year	**1,879**	2,528
Over 1 year	**1,654**	860
Total	**14,012**	20,074

Trade payables are non-interest-bearing and are normally settled on 90-day terms.

24. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2023 RMB'000	2022 RMB'000
Rendering of services	**548,058**	441,472
Analysed into:		
Current portion	**402,134**	331,515
Non-current portion	**145,924**	109,957

25. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Tax payable (other than income tax)	**17,648**	12,520
Staff payroll and welfare payables *(note 1)*	**81,598**	109,069
Advances from customers	**9,031**	13,914
Treasury shares repurchase obligation *(note 2)*	–	141,181
Other payables	**21,823**	16,620
Total	**130,100**	293,304

Other payables and accruals are non-interest-bearing and have no fixed terms of repayment.

Notes:

(1) Further details of staff payroll and welfare payables related to the long-term incentive bonus scheme are set out in note 26 to the financial statements.

(2) Treasury shares repurchase obligation arose from the Employee Share Ownership Scheme. On 30 March 2023, Yonyou Up (a fellow subsidiary of the Company) issued a confirmation letter to agree that before domestic shares can be traded publicly, it shall purchase as the transferee all shares to be transferred by the shareholding platform under the Employee Share Ownership Scheme when unlocked incentive shares are redeemed and incentive shares which have not been unlocked are exited. Thus, the Company derecognised this repurchase obligation. Further details of the Employee Share Ownership Scheme are set out in note 29 to the financial statements.

26. LONG-TERM LIABILITIES

	2023 RMB'000	2022 RMB'000
Accrued bonus	**16,990**	38,862

On 28 December 2020, the Board approved the adoption of the long-term incentive bonus scheme to motivate the enthusiasm and creativity of the management team members and the core and key employees of the Company.The appraisal dates are the first working day after the expiry of the second anniversary, third anniversary and fourth anniversary of the date of determination of the long-term incentive bonus scheme participants. Subject to the satisfaction of the appraisal conditions, the long-term incentive bonus scheme participants shall receive the bonus. The bonus shall be paid in three tranches within three months after the respective appraisal dates. On 28 December 2020, the Board has considered and approved the list of the long-term incentive bonus scheme participants under the long-term incentive bonus scheme, which comprises Mr. Yang Yuchun, the executive director and the president of the Company, and 157 members of other mid to senior level management personnel, experts and key personnel of the Group.

During the year ended 31 December 2023, the total amount of the long-term incentive bonus expenses recognised in profit or loss under the long-term incentive bonus scheme was RMB7,109,000 (2022: RMB41,577,000).

On 28 December 2023, the Board considered and passed a resolution in relation to the appraisal of the second tranche of Bonus under the Long-term Incentive Bonus Scheme. Pursuant to the resolution, 28 December 2023 is the Appraisal Date for the second tranche of Bonus. The business performance of the Company for the year of 2022 have reached the appraisal targets set by the Board.Except for some scheme participants who have terminated or rescinded their labor contracts with the Company and withdrawn from the Long-term Incentive Bonus Scheme and individual scheme participant who did not achieve the required individual performance appraisal results for the year of 2022 (such scheme participant do not meet the Appraisal Conditions), the remaining scheme participants have met the individual Appraisal Conditions as stipulated in the Long-term Incentive Bonus Scheme, as approved by the President Committee.Based on the business performance of the Company for the year of 2022, the Board considered and determined that the appropriation ratio for the second tranche of Bonus shall be approximately 4.86%, and the total amount of this tranche of Bonus to be awarded to the scheme participants shall be approximately RMB28,981,000(31 December 2022: RMB41,396,000) (tax inclusive), which has been recognised in staff payroll and welfare payables.

Notes to Financial Statements (continued)

31 December 2023

27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

2023	Right-of-use assets	Fair value adjustments of equity investments at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	1,921	2,187	4,108
Deferred tax charged/(credited) to profit or loss during the year	(906)	5,978	5,072
Gross deferred tax liabilities at 31 December 2023	1,015	8,165	9,180

Deferred tax assets

2023	Losses available for offsetting future taxable profits	Lease liabilities	Impairment of assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	19,693	1,913	849	22,455
Deferred tax credited/(charged) to profit or loss during the year	1,005	(898)	(849)	(742)
Gross deferred tax assets at 31 December 2023	20,698	1,015	–	21,713

27. DEFERRED TAX (continued)

Deferred tax liabilities

2022	Right-of-use assets	Fair value adjustments of equity investments at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	306	3,640	3,946
Deferred tax charged/(credited) to profit or loss during the year	1,615	(1,453)	162
Gross deferred tax liabilities at 31 December 2022	1,921	2,187	4,108

Deferred tax assets

2022	Losses available for offsetting future taxable profits	Lease liabilities	Impairment of assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	21,288	294	849	22,431
Deferred tax credited/(charged) to profit or loss during the year	(1,595)	1,619	–	24
Gross deferred tax assets at 31 December 2022	19,693	1,913	849	22,455

27. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023	2022
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**12,533**	18,347

Deferred tax assets have not been recognised in respect of the following item:

	2023	2022
	RMB'000	*RMB'000*
Deductible temporary differences	**10,364**	31,607
Tax losses	**800,732**	595,557
	811,096	627,164

The Group has tax losses arising in Chinese Mainland of RMB899,143,000 (2022: RMB687,490,000) that will expire in one to ten years for offsetting against future taxable profits, which is mainly caused by operating loss.

The Group has tax losses arising from a subsidiary in the United States of approximately RMB39,578,000 (2022: RMB39,354,000), of which RMB21,436,000 expires in years 2036 through 2037, and RMB18,142,000 is available indefinitely for offsetting against future taxable profits of the this subsidiary in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses arising in such parent and subsidiary since management considers that it is not probable that taxable profits will be available against which the above items can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. ISSUED CAPITAL

The number of shares of the Company and their nominal values as at 31 December 2023 and 2022 are as follows:

	31 December 2023		31 December 2022	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000 shares	***RMB'000***	*'000 shares*	*RMB'000*
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each	**243,272**	**243,272**	243,272	243,272
H shares of RMB1.00 each	**82,500**	**82,500**	82,500	82,500
	325,772	**325,772**	325,772	325,772

29. SHARE-BASED PAYMENTS

The Company operates the Employee Share Ownership Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Employee Share Ownership Scheme include the Company's directors and other employees of the Group. The Employee Share Ownership Scheme became effective on 28 December 2020.

The total number of incentive shares to be granted under the Employee Share Ownership Scheme shall not exceed 15,412,716 domestic shares, representing approximately 7.10% of the Company's total issued share capital as at the date of the proposed adoption by the board of directors of the Employee Share Ownership Scheme. The entitlement of the number of the incentive shares of participants of the Employee Share Ownership Scheme (the "**Employee Share Ownership Scheme Participants**") shall be determined in accordance with the position, ranking, performance appraisal result and other relevant factors. The specific allocation criteria and proposal shall be proposed by the president committee of the Company (the "**President Committee**") and approved by the board of directors.

The offer of a grant of incentive shares may be accepted upon payment of RMB9.16 for each incentive share by the grantee. The price is equivalent to 90% of the closing price of the H shares on the trading day immediately prior to the date of the proposed adoption by the board of the Employee Share Ownership Scheme (calculated based on the central parity rate of RMB against HK$ announced by the People's Bank of China on the trading day immediately prior to the date of the proposed adoption by the board of directors of the Employee Share Ownership Scheme).

On 27 September 2021, pursuant to capitalisation issue proposal approved at the extraordinary general meeting, the Company issued shares to all shareholders by way of capitalisation of capital reserve, on the basis of five(5) capitalisation shares for every ten(10) existing shares. Pursuant to capitalisation issue, the number of incentive shares and fair value per share were adjusted in accordance with the relevant provisions of the Employee Share Ownership Scheme.

29. SHARE-BASED PAYMENTS (continued)

The unlocking dates of the incentive shares are the first trading day after the expiry of the second anniversary, third anniversary and fourth anniversary of the grant date, upon which and subject to the satisfaction of the unlocking conditions for the corresponding assessment year, being (a) the business performance target of the Company determined and assessed by the board of directors; and (b) the performance appraisal result of the Employee Share Ownership Scheme participant determined by the President Committee, and 40%, 30% and 30% of the incentive shares shall be unlocked respectively.

On 28 December 2022, the Board considered and passed a resolution in relation to unlocking of the first tranche of incentive shares granted under the Employee Share Ownership Scheme. Pursuant to the resolution, except for some scheme participants who have terminated or rescinded their labor contracts with the Company (the Incentive Shares granted to such persons do not meet the Unlocking Conditions), 40% of the total number of incentive shares, being 22,474,074 domestic shares held by the remaining scheme participants who have satisfied the unlocking conditions for the first tranche of incentive shares have been unlocked in accordance with the provisions as stipulated in the Employee Share Ownership Scheme.

On 28 December 2023, the Board considered and passed a resolution in relation to unlocking of the second tranche of incentive shares granted under the Employee Share Ownership Scheme. Pursuant to the resolution, except for some scheme participants who have terminated or rescinded their labor contracts with the Company and individual scheme participant who did not achieve the required individual performance appraisal results for the year of 2022 (the Incentive Shares granted to such persons do not meet the Unlocking Conditions), 30% of the total number of incentive shares, being 21,979,074 domestic shares held by the remaining scheme participants who have satisfied the unlocking conditions for the second tranche of incentive shares have been unlocked in accordance with the provisions as stipulated in the Employee Share Ownership Scheme.

29. SHARE-BASED PAYMENTS (continued)

The Employee Share Ownership Scheme

Particulars and movements of the target incentive shares under the Employee Share Ownership scheme

2023

Date of grant	*Note*	Fair value per share *(RMB)*	As at 1 January	Forfeited during the year	Vested during the year	As at 31 December
28 December 2020	(a)	6.21	13,484,444	(285,750)	(6,593,722)	6,604,972

2022

Date of grant	*Note*	Fair value per share *(RMB)*	As at 1 January	Forfeited during the year	Vested during the year	As at 31 December
28 December 2020	(a)	6.21	22,759,074	(285,000)	(8,989,630)	13,484,444

Note:

(a) During the year ended 31 December 2023, 285,750 target shares (2022: 285,000) under the Employee Share Ownership Scheme were forfeited due to the vesting conditions not being fulfilled under the Employee Share Ownership Scheme.

The fair value of the share ownership units granted at the date was calculated based on the market price of the Company's shares at the grant date. The fair value of share ownership units granted under the grant was RMB2,247,000.

During the year ended 31 December 2023, the total amount of share-based payment expense was RMB250,000 (2022: RMB810,000), which was recognised in profit or loss.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the years are presented in the consolidated statement of changes in equity on pages 103 to 104 of the financial statements.

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,054,000 (2022: RMB17,453,000) and RMB1,054,000 (2022: RMB17,453,000), respectively, in respect of lease arrangements for office buildings and other equipment. The total cash outflow for leases is set out in note 14.

Notes to Financial Statements (continued)

31 December 2023

32. CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group did not have any significant contingent liabilities.

33. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

34. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the years ended 31 December 2023 and 2022, the Group entered into the following transactions with related parties:

	2023 *RMB'000*	2022 *RMB'000*
Purchases of goods and services from		
The holding company*		
Yonyou	**2,169**	3,013
Associated companies held by Yonyou		
Beijing Xi Ma Guo Zheng Technology Co., Ltd. ("**Xi Ma Guo Zheng**") (北京西瑪國正科技發展有限公司)	**256**	371
Execution (Beijing) Network Technology Co., Ltd. (執行力(北京)網絡科技有限公司)	**1**	379
Suirui Group Co., Ltd. (隨銳科技集團股份有限公司)	**2**	25
Sinotone (Beijing) Consulting Co., Ltd. ("**Sinotone Consulting**") (漢唐信通(北京)諮詢股份有限公司)	**473**	216

Notes to Financial Statements (continued)

31 December 2023

34. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

	2023 RMB'000	2022 RMB'000
Fellow subsidiaries*		
Yonyou Mobile	4	2
Shanghai Dayee Cloud Computing Co., Ltd. (上海大易雲計算有限公司)	74	61
UFIDA (Nanchang) Industrial Base Development Co., Ltd. ("**UFIDA (Nanchang)**") (用友(南昌)產業基地發展有限公司)	240	249
Shanghai Yonyou Government Affairs Software Co., Ltd. ("**Shanghai Yonyou Government Affairs**") (上海用友政務軟件有限公司)	1	–
Nanchang Yonyou Xinfushe Cloud Technology Co., Ltd. ("**Nanchang Yonyou Xinfushe**") (南昌用友薪福社雲科技有限公司)	1,256	–
Nanjing Digital Certification Co., Ltd. (南京數字認證有限公司)	7	–
Companies of which a director of the Company is the ultimate controlling party*		
Beijing Red Mansion Culinary Culture Co., Ltd. (北京紅邸餐飲文化有限公司)	111	110
Beijing Hongju Catering Culture Co., Ltd. (北京紅局餐飲文化有限公司)	227	84
Beijing Sparks Technology Co., Ltd. (北京火花無限科技有限公司)	94	–
A company controlled by the ultimate controlling party*		
Huaguori Wine (Beijing) Co., Ltd. (花果日葡萄酒(北京)有限公司)	12	154
Subsidiary of the associated company held by Yonyou		
Sinotone (Beijing) Technology Co., Ltd. ("**Sinotone Tech**") (漢唐信通(北京)科技有限公司)	9	6
Total	4,936	4,670

Notes to Financial Statements (continued)

31 December 2023

34. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

	2023 *RMB'000*	2022 *RMB'000*
Sales of goods and services to		
Associated companies held by Yonyou		
Xi Ma Guo Zheng	**287**	297
ZhongGuanCun Bank	**34**	–
Sinotone Consulting	**192**	345
Beijing Lianxin Credit Consulting Co., Ltd. ("**Beijing Lianxin Credit**") (北京聯信徵信諮詢有限責任公司)*	**25**	–
Subsidiary of the associated company held by Yonyou		
Sinotone Tech	**16**	55
Fellow subsidiary*		
Chongqing Yonyou Software Co., Ltd. ("**Chongqing Yonyou Software**") (重慶用友軟件有限公司)	**–**	525
Associates of the company*		
Chanjet Payment	**114**	370
Total	**668**	1,592

34. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

On 24 March, 2023, the Company entered into the transfer agreement with Seentao Technology Co., Ltd. (a fellow subsidiary of the Company) for the disposal of the Finance & Taxation Practical Skills Training Product and Service Business at an aggregated consideration of RMB43,800,000. Such transaction has resulted in a gain on disposal of RMB43,755,000.

On 30 March 2023, Yonyou Up (a fellow subsidiary of the Company) issued a confirmation letter to agree that before domestic shares can be traded publicly, it shall purchase as the transferee all shares to be transferred by the shareholding platform under the Employee Share Ownership Scheme when unlocked incentive shares are redeemed and incentive shares which have not been unlocked are exited. Further details of the Employee Share Ownership Scheme are set out in note 29 to the financial statements.

The Company signed agreements with Yonyou to sell the Company's cloud products to Tencent Cloud Computing (Beijing) Co., Ltd ("**Tencent Cloud**") and via the Yonyou tmall flagship store. The Company's selling price to Yonyou is consistent with the Yonyou's selling price to Tencent Cloud and on the Yonyou tmall flagship store. During the year ended 31 December 2023, the total revenue of the Company's cloud products under the above agreements was RMB254,000 (2022: RMB56,000).

During the year ended 31 December 2023, the Group recognised interest income of RMB7,134,000 (2022: RMB7,313,000) from deposits placed with ZhongGuanCun Bank.

34. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Rental of office buildings from related parties*

During the years ended 31 December 2023 and 2022, the Group rented office buildings from Yonyou. After the adoption of IFRS 16, the carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the year are as follows:

	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2023	**9,531**	**9,805**
Depreciation charge	**(5,061)**	**–**
Interest expense	**–**	**310**
Payments	**–**	**(5,374)**
As at 31 December 2023	**4,470**	**4,741**

	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2022	1,546	1,593
Addition	13,041	13,041
Depreciation charge	(5,056)	–
Interest expense	–	540
Payments	–	(5,369)
As at 31 December 2022	9,531	9,805

In addition to the lease of office buildings shown in the table above, the Group recognised the rental expenses in profit or loss from short-term leases of RMB111,000 from Yonyou for the year ended 31 December 2023 (2022: RMB514,000).

34. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Rental of office buildings from related parties* (continued)

During the years ended 31 December 2023 and 2022, the Group rented office buildings from UFIDA (Nanchang), a fellow subsidiary. After the adoption of IFRS 16, the carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the year are as follows:

	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2023	**2,132**	**2,116**
Addition	**274**	**274**
Depreciation charge	**(1,077)**	**–**
Interest expense	**–**	**82**
Payments	**–**	**(1,145)**
As at 31 December 2023	**1,329**	**1,327**

	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2022	–	–
Addition	2,955	2,955
Depreciation charge	(823)	–
Interest expense	–	92
Payments	–	(931)
As at 31 December 2022	2,132	2,116

In addition to the lease of office buildings shown in the table above, the Group recognised the rental expenses in profit or loss from short-term leases of RMB256,000 from UFIDA (Nanchang) for the year ended 31 December 2023 (2022: RMB460,000).

The above related party transactions were conducted on mutually agreed terms.

Notes to Financial Statements (continued)

31 December 2023

34. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

An analysis of the balances with related parties is as follows:

Due from related parties

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade related:		
The holding company		
Yonyou	**1**	–
Associated companies held by Yonyou		
ZhongGuanCun Bank	**9**	–
Xi Ma Guo Zheng	**–**	114
Sinotone Consulting	**515**	247
Fellow subsidiaries		
Chongqing Yonyou Software	**–**	521
Shanghai Bingjun Network Technology Co., Ltd. (上海秉鈞網絡科技有限公司)	**6**	6
Shanghai Yonyou Government Affairs	**–**	1
Nanchang Yonyou Xinfushe	**1,477**	–
Other receivables:		
Fellow subsidiary		
UFIDA (Nanchang)	**37**	39
Total	**2,045**	928

34. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

Deposits placed with

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Associated company held by Yonyou		
ZhongGuanCun Bank	**150,099**	150,002

As at 31 December 2023, the Group had interest receivables of RMB712,000 due from ZhongGuanCun Bank (2022: RMB30,672,000).

The amounts due from related parties were unsecured, interest-free (except for deposits placed with ZhongGuanCun Bank) and repayable on demand.

34. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

Due to related parties

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade related:		
The holding company		
Yonyou	**1,148**	1,097
Associate of the Company		
Chanjet Payment	**536**	650
Associated companies held by Yonyou		
Xi Ma Guo Zheng	**430**	462
Sinotone Consulting	**99**	259
Beijing Lianxin Credit	**580**	–
A company controlled by the ultimate controlling party		
Shenzhen Yyfax Financial Services Co., Ltd. (深圳友金所金融服務有限公司)	**38**	38
Subsidiary of the associated company held by Yonyou		
Sinotone Tech	**53**	60
A company of which the ultimate controlling party of the company is a shareholder with significant influence		
Shangzhuangyuan (Beijing) Technology Co., Ltd. (北京商狀元科技有限公司)	**14**	14
Other payables:		
The holding company		
Yonyou	**44**	20
Associated company held by Yonyou		
Xi Ma Guo Zheng	**10**	10
Total	**2,952**	2,610

34. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	2023 *RMB'000*	2022 *RMB'000*
Short term employee benefits	**26,418**	44,672
Pension scheme contributions	**974**	783
Equity-settled share-based payment expense	**112**	332
Total compensation to key management personnel	**27,504**	45,787

The key management personnel mentioned above contain directors, supervisors, the chief executive and other key management personnel. Further details of directors', supervisors' and the chief executive's emoluments are included in note 8 to the financial statements.

In 2020, incentive shares were granted to the above certain key management personnel, excluding non-executive directors, independent non-executive directors and supervisors, in respect of their services under the Employee Share Ownership Scheme of the Group, further details of which are set out in note 29 to the financial statements.

* The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to Financial Statements (continued)

31 December 2023

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Financial assets		
Financial assets at amortised cost		
Trade and bills receivables	57,076	45,373
Financial assets included in prepayments, other receivables and other assets (exclude long-term receivables)	4,459	4,669
Share purchase fund and dividend held by the trustee for share-based payments	6,768	6,615
Cash and bank balances	1,037,565	1,169,225
Financial assets at fair value through profit or loss	153,055	–
Equity investments at fair value through profit or loss	63,310	30,014
Total	1,322,233	1,255,896
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	14,012	20,074
Financial liabilities included in other payables and accruals	21,823	157,801
Total	35,835	177,875

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Time deposits non-current portion	150,712	–	146,804	–
Share purchase fund and dividend held by the trustee for share-based payments	6,768	6,615	6,768	6,615
Financial assets at fair value through profit or loss:				
Equity investments at fair value through profit or loss	63,310	30,014	63,310	30,014
Financial assets at fair value through profit or loss	153,055	–	153,055	–
Total	373,845	36,629	369,937	36,629

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 31 December 2022.

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of unlisted equity investments classified as financial assets at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to sales ("**P/S**") and price to earnings ("**P/E**") multiple, for each comparable company identified. These multiple is calculated by dividing the market capitalisation of the comparable company by its total sales and earnings over a designated period. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group also invests in wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair value of these wealth management products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a qualitative sensitivity analysis as at 31 December 2023 and 2022:

	Valuation technique	Significant unobservable input	Range	Correlation of fair value to the input
Unlisted equity investments	Market approach-valuation multiples	Average P/S multiple of peers	2023: 5.8x to 5.9x (2022: 4.0x to 5.3x)	Positive correlation
		Average P/E multiple of peers	2022: 50.7x	Positive correlation
		Discount for lack of marketability	2023: 19.0% to 27.8% (2022: 16.0% to 27.3%)	Negative correlation

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Financial assets at fair value through profit or loss:				
Equity investments at fair value through profit or loss	–	–	**63,310**	**63,310**
Financial assets at fair value through profit or loss	–	**153,055**	–	**153,055**
Total	–	**153,055**	**63,310**	**216,365**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss:				
Equity investments at fair value through profit or loss	–	–	30,014	30,014

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 31 December 2022.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Time deposits non-current portion	–	146,804	–	146,804
Share purchase fund and dividend held by the trustee for share-based payments	–	6,768	–	6,768
Total	–	153,572	–	153,572

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Share purchase fund and dividend held by the trustee for share-based payments	–	6,615	–	6,615

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and term deposits. These financial instruments are mainly held for the purpose of supporting the daily operations of the Group. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are net carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade and bills receivables*	–	–	–	57,076	57,076
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,459	–	–	–	4,459
– Doubtful**	–	–	–	–	–
Cash and bank balances					
– Not yet past due	1,037,565	–	–	–	1,037,565
Total	1,042,024	–	–	57,076	1,099,100

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	45,373	45,373
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,669	–	–	–	4,669
– Doubtful**	–	–	–	–	–
Cash and bank balances					
– Not yet past due	1,169,225	–	–	–	1,169,225
Total	1,173,894	–	–	45,373	1,219,267

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The majority of the Group's customers are required to make payments in advance, and only a very small portion of the Group's customers could enjoy the credit policy. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding. The Group's financial liabilities mainly comprise trade payables, other payables and lease liabilities, which arise directly from its operations that are usually repayable within three months. Their carrying values are equal to their fair values. The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	1 to 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Total *RMB'000*
31 December 2023					
Trade payables	**14,012**	**–**	**–**	**–**	**14,012**
Lease liabilities	**1,852**	**4,819**	**220**	**–**	**6,891**
Financial liabilities included in other payables and accruals	**21,823**	**–**	**–**	**–**	**21,823**
	37,687	**4,819**	**220**	**–**	**42,726**
31 December 2022					
Trade payables	20,074	–	–	–	20,074
Lease liabilities	1,599	5,375	6,177	122	13,273
Financial liabilities included in other payables and accruals	157,801	–	–	–	157,801
	179,474	5,375	6,177	122	191,148

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Foreign currency risk

Foreign currency risk means the risk of fluctuations in the fair value or future cash flows of financial instruments which arise from changes in exchange rates. The Group's foreign currency risk mainly arises from sales or purchases by operating units in currencies other than the units' functional currencies and from net investments in foreign operations.

The Group's businesses are mainly located in Chinese Mainland and are transacted and settled in RMB. As at 31 December 2023, except for RMB80,710,000 denominated in Hong Kong dollars (2022: RMB76,689,000) and RMB6,020,000 denominated in United States dollars (2022: RMB6,132,000) included in cash and bank balances, all assets and liabilities were denominated in RMB.

Management believes that the fluctuation of the exchange rates of foreign currencies against RMB will not affect the Group's results of operations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar and RMB exchange rate, with all other variables held constant, of the Group's profit after tax and the Group's equity.

	Increase/ (decrease) in Hong Kong dollar/ RMB rate %	Increase/ (decrease) in profit after tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2023			
If the RMB weakens against the Hong Kong dollar	**3%**	**2,058**	**2,058**
If the RMB strengthens against the Hong Kong dollar	**(3%)**	**(2,058)**	**(2,058)**
2022			
If the RMB weakens against the Hong Kong dollar	3%	1,956	1,956
If the RMB strengthens against the Hong Kong dollar	(3%)	(1,956)	(1,956)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt was calculated as the total amount of interest-bearing liabilities less cash and bank balances. The Group's gearing ratio was nil as at 31 December 2023 and 31 December 2022.

38. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting year up to the date of this report.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 31 December *RMB'000*	2022 31 December *RMB'000*
Non-current assets		
Property, plant and equipment	**3,339**	6,767
Right-of-use assets	**6,766**	12,804
Intangible assets	**985**	5,307
Investment in subsidiaries	**3,624**	3,793
Investment in an associate	**7,553**	7,827
Equity investments at fair value through profit or loss	**63,310**	30,014
Deferred tax assets	**12,533**	18,347
Prepayments, other receivables and other assets	**62,970**	65,025
Cash and bank balances	**150,712**	–
Total non-current assets	**311,792**	149,884
Current assets		
Inventories	**954**	815
Trade and bills receivables	**59,287**	45,806
Prepayments, other receivables and other assets	**168,541**	146,595
Financial assets at fair value through profit or loss	**153,055**	–
Cash and bank balances	**884,041**	1,166,132
Total current assets	**1,265,878**	1,359,348

Notes to Financial Statements (continued)

31 December 2023

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2023 31 December *RMB'000*	2022 31 December *RMB'000*
Current liabilities		
Trade payables	**14,012**	20,074
Contract liabilities	**402,831**	331,206
Other payables and accruals	**129,824**	292,903
Lease liabilities	**6,546**	6,567
Total current liabilities	**553,213**	650,750
Net current assets	**712,665**	708,598
Total assets less current liabilities	**1,024,457**	858,482
Non-current liabilities		
Lease liabilities	**218**	6,185
Contract liabilities	**145,924**	109,957
Long-term liabilities	**16,990**	38,862
Total non-current liabilities	**163,132**	155,004
Net assets	**861,325**	703,478
Equity		
Issued capital	**325,772**	325,772
Treasury shares held under the employee trust benefit scheme	**(28,519)**	(169,700)
Reserves *(note)*	**564,072**	547,406
Total equity	**861,325**	703,478

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve	Merger reserve	Share-based payment reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	792,791	(4)	10,858	76,374	(137,696)	742,323
Total comprehensive loss for the year	–	–	–	–	(195,727)	(195,727)
Statutory surplus reserve compensation	–	–	–	(76,374)	76,374	–
Shares vested under the employee trust benefit scheme	874	–	(874)	–	–	–
Share-based payments	–	–	810	–	–	810
At 31 December 2022 and 1 January 2023	**793,665**	**(4)**	**10,794**	**–**	**(257,049)**	**547,406**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**16,416**	**16,416**
Shares vested under the employee share ownership scheme	**647**	**–**	**(647)**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**250**	**–**	**–**	**250**
At 31 December 2023	**794,312**	**(4)**	**10,397**	**–**	**(240,633)**	**564,072**

The share-based payment reserve comprises the fair values of trust benefit units and incentive shares granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the capital reserve account when the related trust benefit units and incentive shares are vested, or be transferred to retained profits should the related trust benefit units and incentive shares be forfeited.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

Definitions

In this report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"All-electronic Invoice(s)"	the comprehensive digital electronic invoice(s)
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
"Capitalization Issue"	the issue of five (5) capitalization shares for every ten (10) shares to all Shareholders by way of capitalization of capital reserve by the Company in October 2021
"CASBE"	The latest Accounting Standards for Business Enterprises issued by MOF and the related application guidance, interpretations and other related requirements
"Chairman"	the chairman of the Board
"Chanjet Payment"	Beijing Chanjet Payment Technology Co., Ltd. (北京暢捷通支付技術有限公司), a company with limited liability established in the PRC on 29 July 2013 and held by the Company as to 19.28%, and an associate of the Company
"Chanjet U.S."	Chanjet Information Technology Corporation, a company incorporated in California on 5 November 2012 under the laws of the State of California of the United States, and a wholly-owned subsidiary of the Company
"Chanjet Yunhui"	Beijing Chanjet Yunhui Information Technology Co., Ltd. (北京暢捷雲匯信息技術有限公司), a company with limited liability established in the PRC on 12 April 2019 and a wholly-owned subsidiary of the Company
"Company" or "our Company"	Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed and traded on the Hong Kong Stock Exchange
"Company Law"	the Company Law of the People's Republic of China
"Corporate Governance Code"	Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Director(s)"	member(s) of the Board, including all executive, non-executive and independent non-executive directors of the Company

Definitions (continued)

"Domestic Share(s)"	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted shares which are not currently listed or traded on any stock exchange
"Employee Share Ownership Scheme"	the 2020 employee share ownership scheme adopted by the Company on 28 December 2020
"Employee Trust Benefit Scheme"	the employee trust benefit scheme of the Company adopted on 8 June 2015 and amended on 18 May 2016
"Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"H Shares"	overseas listed foreign invested ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the Hong Kong Stock Exchange
"Happiness Investment"	Happiness Investment Co., Ltd. (北京用友幸福投資管理有限公司), a company established in the PRC with limited liability on 12 May 2010 and one of the promoters of the Company and a holding subsidiary of Yonyou, in which Yonyou holds 60% of shares
"HK$" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards promulgated by the International Accounting Standards Board ("**IASB**"). IFRSs include the International Accounting Standards and their interpretations
"Independent Third Party(ies)"	an individual(s) or a company(ies) who/which is/are independent of and not connected with (within the meaning of the Listing Rules) any of Directors, Supervisors, chief executives or Substantial Shareholders (as defined in the Listing Rules) of the Company, its subsidiaries or any of their respective associates

Definitions (continued)

"Latest Practicable Date"	17 April 2024, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained herein
"Listing Date"	26 June 2014, being the date on which the Company's H Shares were listed on the main board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"MOF"	the Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"MSE(s)"	micro and small scale enterprise(s)
"NPC"	the National People's Congress of the People's Republic of China (中華人民共和國全國人民代表大會)
"PRC" or "China" or the "People's Republic of China"	the People's Republic of China and, except where the context otherwise requires, for the purpose of this report excludes Hong Kong, the Macau Special Administrative Region of the PRC and the region of Taiwan
"President"	the president of the Company
"Prospectus"	the prospectus published by the Company on 16 June 2014
"Reporting Period"	the year ended 31 December 2023
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Point Scheme"	the long-term employee incentive point scheme approved and adopted by the Company on 29 March 2019
"Seentao Technology"	Seentao Technology Co., Ltd. (新道科技股份有限公司), the shares of which are listed on the National Equities Exchange and Quotations (Stock Code: 833694), and a subsidiary of Yonyou

Definitions (continued)

"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) of the Company with nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Shareholding Platforms"	five limited partnerships established by the Employee Share Ownership Scheme Participants, including Tianjin Binhai New Area Huiyun Hongchuang Technology Partnership (limited partnership) (天津濱海新區慧雲宏創科技合夥企業(有限合夥)), Tianjin Binhai New Area Yundao Tongsheng Technology Partnership (limited partnership) (天津濱海新區雲道同盛科技合夥企業(有限合夥)), Tianjin Binhai New Area Yunzhi Jietong Technology Partnership (limited partnership) (天津濱海新區雲智捷通科技合夥企業(有限合夥)), Tianjin Binhai New Area Yunda Xiangsheng Technology Partnership (limited partnership) (天津濱海新區雲達祥晟科技合夥企業(有限合夥)) and Tianjin Binhai New Area Yuntongjuxin Technology Partnership (limited partnership) (天津濱海新區雲通聚新科技合夥企業(有限合夥)), for the purpose of implementing the Employee Share Ownership Scheme
"State Council"	State Council of the People's Republic of China
"Substantial Shareholder(s)"	has the meaning ascribed to it in the SFO
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company
"US\$" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"Yonyou"	Yonyou Network Technology Co., Ltd. (用友網絡科技股份有限公司), a joint stock limited company incorporated in the PRC on 18 January 1995, the shares of which are listed and traded on the Shanghai Stock Exchange (上海證券交易所) (Stock Code: 600588), a controlling Shareholder of the Company
"Yonyou Auto Technology"	Yonyou Auto Information Technology (Shanghai) Co., Ltd. (用友汽車信息科技(上海)股份有限公司), the shares of which are listed and traded on the Science and Technology Innovation Board of the Shanghai Stock Exchange (Stock Code: 688479), and a subsidiary of Yonyou

Definitions (continued)

"Yonyou Fintech"	Yonyou Fintech Information Technology Co., Ltd. (用友金融信息技術股份有限公司), the shares of which are listed and traded on the National Equities Exchange and Quotations (Stock Code: 839483), and a subsidiary of Yonyou
"Yonyou Group"	Yonyou and its subsidiaries (other than the Group)
"Yonyou Up"	Yonyou Up Information Technology Co., Ltd. (用友優普信息技術有限公司), a limited company incorporated in the PRC on 25 February 2014, a wholly-owned subsidiary of Yonyou
"%"	percent