

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**INSPUR DIGITAL ENTERPRISE
TECHNOLOGY LIMITED**

浪潮數字企業技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

**HALF-YEAR RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board of directors (the “**Board**”) of Inspur Digital Enterprise Technology Limited (the “**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Unaudited Consolidated Results**”) together with the unaudited comparative figures for the corresponding period in 2022. The unaudited consolidated results have been reviewed by the Audit Committee of the Company:

Financial highlights for the six months ended 30 June 2023

- Turnover increased by 96.61% compared with the corresponding period in 2022 to RMB4,096,650,000 (the corresponding period in 2022: RMB2,083,627,000).
- Profit attributable to owners of the Company for the period was RMB49,241,000 (the corresponding period in 2022: RMB28,010,000).
- Basic earnings per share attributable to owners of the Company for the period were RMB4.31 cents (the corresponding period in 2022: RMB2.45 cents).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	<i>NOTES</i>	For the six months ended	
		30 June 2023	30 June 2022
		RMB'000	RMB'000
			(Restated)
Turnover	3	4,096,650	2,083,627
Cost of sales		(3,258,035)	(1,484,070)
Gross profit		838,615	599,557
Other income	4	76,922	74,464
Other gains and losses		(359)	(1,306)
Impairment losses	11	(8,464)	(6,690)
Administrative expenses		(198,725)	(164,471)
Research and development expenses		(414,333)	(230,816)
Selling and distribution expenses		(243,207)	(227,827)
Financial costs		(1,318)	(1,292)
Change in fair value of investment properties		(4,037)	(14,604)
Share of profit of associates		3,062	7,586
Share of profit (loss) of a joint venture		455	(247)
Profit before tax		48,611	34,354
Income tax expenses	5	(1,244)	(12,132)
Profit for the period	6	47,367	22,222
Profit for the period attributable to owners of the Company		49,241	28,010
Loss for the period attributable to non- controlling interests		(1,874)	(5,788)
Earnings per share			
– Basic (RMB cents)	8	4.31	2.45
– Diluted (RMB cents)		4.31	2.45

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**

	<u>For the six months ended</u>	
	<u>30 June</u>	<u>30 June</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Profit for the period	47,367	22,222
Other comprehensive (expense) income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value loss on investment in an equity instrument at fair value through other comprehensive income ("FVTOCI")	—	(39)
Deferred tax on revaluation upon equity instrument at FVTOCI	—	9
Exchange differences arising on translation to presentation currency	<u>(837)</u>	<u>(1,025)</u>
	<u>(837)</u>	<u>(1,055)</u>
Total comprehensive income for the period	<u>46,530</u>	<u>21,167</u>
Total comprehensive income (loss) for the period attributable to:		
– Owners of the Company	48,404	26,955
– Non-controlling interests	<u>(1,874)</u>	<u>(5,788)</u>
	<u>46,530</u>	<u>21,167</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		30 June	31 December
	<i>NOTES</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		350,692	374,401
Investment properties		744,782	747,920
Right-of-use assets		65,924	66,344
Other intangible assets		26,829	34,000
Interest in associates		440,660	217,604
Interest in a joint venture		136,722	136,267
		<u>1,765,609</u>	<u>1,576,536</u>
Current assets			
Inventories		530	438
Trade and bills receivables	9	1,154,345	1,052,532
Debt instruments at FVTOCI		19,898	43,548
Prepayments, deposit sand other receivables		397,812	257,168
Contract assets	10	706,384	363,677
Amount due from ultimate holding company	9	7,543	5,749
Amount due from fellow subsidiaries	9	365,314	296,818
Pledged bank deposits		11,394	28,393
Bank balances and cash		479,082	1,193,170
		<u>3,142,302</u>	<u>3,241,493</u>

	<i>NOTES</i>	30 June 2023	31 December 2022
		<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade payables	12	701,344	598,008
Other payables, deposits received and accrued expenses		577,102	646,286
Lease liabilities		13,150	12,322
Contract liabilities	10	958,240	1,076,509
Borrowings	13	93,962	—
Estimated liabilities		8,876	12,551
Amount due to ultimate holding company	12	1,362	967
Amount due to fellow subsidiaries	12	244,008	223,977
Deferred income - government grants		40,400	41,779
Tax payable		4,062	16,010
Dividends payable		21,056	—
		<u>2,663,562</u>	<u>2,628,409</u>
Net current assets		<u>478,740</u>	<u>613,084</u>
Total assets less current liabilities		<u>2,244,349</u>	<u>2,189,620</u>
Non-current liabilities			
Lease liabilities		7,051	7,926
Deferred income - government grants		108,958	102,598
Deferred tax liabilities		207,237	201,129
		<u>323,246</u>	<u>311,653</u>
		<u>1,921,103</u>	<u>1,877,967</u>
Capital and reserves			
Share capital	14	10,796	10,796
Reserves		1,867,439	1,826,839
Equity attributable to owners of the Company		<u>1,878,235</u>	<u>1,837,635</u>
Non-controlling interests		42,868	40,332
Total equity		<u>1,921,103</u>	<u>1,877,967</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company											Total
	Share capital	Share premium	Other reserves	Special reserve	Share			Merger reverse	Retained profits	Subtotal	Non- controlling interests	
					option reserve	Translation reserve	Revaluation reserve					
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
On 1 January 2022 (Restated)	10,796	1,371,809	(499,124)	98	1,245	12,250	104,044	(347,589)	1,065,628	1,719,157	37,541	1,756,698
Profit for the period	—	—	—	—	—	—	—	—	28,010	28,010	(5,788)	22,222
Other comprehensive expense	—	—	—	—	—	(1,025)	(30)	—	—	(1,055)	—	(1,055)
Total comprehensive (expense) income for the period	—	—	—	—	—	(1,025)	(30)	—	28,010	26,955	(5,788)	21,167
Disposal of subsidiary	—	—	—	—	—	—	(7,493)	—	7,493	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	72	—	—	—	—	72	—	72
	—	—	—	—	72	—	(7,493)	—	7,493	72	—	72
On 30 June 2022 (Restated)	<u>10,796</u>	<u>1,371,809</u>	<u>(499,124)</u>	<u>98</u>	<u>1,317</u>	<u>11,225</u>	<u>96,521</u>	<u>(347,589)</u>	<u>1,101,131</u>	<u>1,746,184</u>	<u>31,753</u>	<u>1,777,937</u>
On 1 January 2023	<u>10,796</u>	<u>1,371,809</u>	<u>(498,594)</u>	<u>98</u>	<u>1,359</u>	<u>11,424</u>	<u>96,521</u>	<u>(347,589)</u>	<u>1,191,811</u>	<u>1,837,635</u>	<u>40,332</u>	<u>1,877,967</u>
Profit for the period	—	—	—	—	—	—	—	—	49,241	49,241	(1,874)	47,367
Other comprehensive expense	—	—	—	—	—	(837)	—	—	—	(837)	—	(837)
Total comprehensive (expense) income for the period	—	—	—	—	—	(837)	—	—	49,241	48,404	(1,874)	46,530
Contribution by non-controlling interests	—	—	—	—	—	—	—	—	—	—	4,410	4,410
Dividends payable	—	—	—	—	—	—	—	—	(21,056)	(21,056)	—	(21,056)
Recognition of equity-settled share-based payments	—	—	—	—	13,252	—	—	—	—	13,252	—	13,252
	—	—	—	—	13,252	—	—	—	(21,056)	(7,804)	4,410	(3,394)
On 30 June 2023	<u>10,796</u>	<u>1,371,809</u>	<u>(498,594)</u>	<u>98</u>	<u>14,611</u>	<u>10,587</u>	<u>96,521</u>	<u>(347,589)</u>	<u>1,219,996</u>	<u>1,878,235</u>	<u>42,868</u>	<u>1,921,103</u>

Notes:

- (a) Other reserve arose from the acquisition of partial interest in a subsidiary without changes in control.
- (b) The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal amount of the Company's shares issued for the acquisition at the time of the reorganisation prior to the listing of the Company's shares in 2003.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	30 June	30 June
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
CASH FLOWS USED IN OPERATING ACTIVITIES	(588,991)	(71,431)
CASH FLOWS USED IN INVESTING ACTIVITIES	(222,912)	(21,097)
CASH FLOWS FROM FINANCING ACTIVITIES	97,738	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(714,165)	(92,528)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,193,170	1,033,139
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	77	69
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
BANK BALANCE AND CASH	<u>479,082</u>	<u>940,680</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL

Inspur Digital Enterprise Technology Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The directors of the Company consider that Inspur Overseas Investment Limited (“**Inspur Overseas**”), a company incorporated in the British Virgin Islands and Inspur Group Limited (“**Inspur Group**”), a company established in the People’s Republic of China (the “**PRC**”) are the immediate holding company and ultimate holding company of the Company, respectively. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the Interim Report.

The functional currency of the Company is Renminbi (“**RMB**”). The consolidated financial statements are presented in Renminbi (“**RMB**”).

The Company is an investment holding company. The principal activities of the subsidiaries (together with the Company, referred to as the “**Group**”) are engaged in enterprise management software, cloud services and Internet of Things (IoT) solutions.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and Insurance Contracts

February 2022 Amendments to HKFRS 17)

Amendments to HKAS 1 and

Disclosure of Accounting Policies

HKFRS Practice Statement 2

Amendments to HKAS 8

Definition of Accounting Estimates

Amendments to HKAS 12

Deferred Tax related to Assets and Liabilities arising
from a Single Transaction

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable operating segments.

	For the six months ended 30 June 2023			
	Cloud services	Management software	Internet of things (IoT) solution	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>720,677</u>	<u>1,118,811</u>	<u>2,257,162</u>	<u>4,096,650</u>
Segment profit	<u>(108,997)</u>	<u>145,825</u>	<u>22,254</u>	<u>59,082</u>
Unallocated other income, gains				25,070
Change in fair value of investment properties				(4,037)
Share of profit of associates				3,062
Share of profit of a joint venture				455
Share-based payments				(13,252)
Unallocated administrative costs				(11,987)
Impairment losses				(8,464)
Finance costs				(1,318)
Profit before tax				<u>48,611</u>

3. REVENUE AND SEGMENT INFORMATION – CONTINUED

	For the six months ended 30 June 2022			
	Cloud services	Management software	Internet of things (IoT) solution	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Restated)	(Restated)	(Restated)	(Restated)
Segment revenue	481,134	1,006,296	596,197	2,083,627
Segment profit	(77,089)	121,998	5,501	50,410
Unallocated other income, gains				23,184
Change in fair value of investment properties				(14,604)
Share of profit of associates				7,586
Share of loss of a joint venture				(247)
Share-based payments				(72)
Unallocated administrative costs				(25,213)
Impairment losses				(6,690)
Finance costs				—
Profit before tax				34,354

4. OTHER INCOME

	<u>For the six months ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Other income:		
Interest income on bank deposits	5,303	8,696
Value Added Tax (VAT) refund	35,532	40,603
Government grants	9,675	2,079
Rental income	22,013	22,251
Others	4,399	835
	<u>76,922</u>	<u>74,464</u>

5. INCOME TAX EXPENSES

	<u>For the six months ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Current tax:		
PRC Enterprise Income Tax (EIT)	470	3,120
Under provision in prior year:		
PRC Enterprise Income Tax (EIT)	(4,750)	9,665
Deferred tax	5,524	(653)
	<u>1,244</u>	<u>12,132</u>

6. PROFIT FOR THE PERIOD

	<u>For the six months ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as cost of sales	2,098,102	538,849
Depreciation for property, plant and equipment	19,552	23,329
Amortisation for other intangible assets	7,171	6,856

7. DIVIDENDS

The Board of directors does not recommend the payment of any dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit for the period attributable to owners of the Company and on the number of shares as follows:

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<u>For the six months ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Earnings</u>		(Restated)
Profit for the period attributable to the owners of the Company	<u>49,241</u>	<u>28,010</u>
	<u>For the six months ended</u>	
	<u>30 June 2023</u>	<u>30 June 2022</u>
	<i>'000</i>	<i>'000</i>
<u>Number of shares</u>		
Number of ordinary shares used in basic earnings per share	1,141,921	1,141,921
Effect of dilutive potential ordinary shares arising from the outstanding share options	<u>463</u>	<u>194</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>1,142,384</u>	<u>1,142,115</u>

9. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 - 210 days to its trade customers.

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date, which approximated the revenue recognition date.

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	570,346	629,782
31-60 days	131,440	126,106
61-90 days	69,832	56,238
91-120 days	125,194	37,649
121-180 days	46,001	44,423
Over 180 days	211,532	158,334
	<u>1,154,345</u>	<u>1,052,532</u>

The following is an aging analysis of amount due from fellow subsidiaries and ultimate holding company for the purchase of goods and services at the reporting date.

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from fellow subsidiaries		
0-30 days	107,971	172,859
31-60 days	83,434	23,842
61-90 days	39,712	7,679
91-210 days	74,043	64,210
Over 210 days	60,154	28,228
	<u>365,314</u>	<u>296,818</u>

9. TRADE AND BILLS RECEIVABLES – CONTINUED

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from ultimate holding company		
0-30 days	4,111	3,963
31-60 days	1,593	138
61-90 days	259	633
Over 90 days	1,580	1,015
	7,543	5,749

10. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
CONTRACT ASSETS		
Current-software development	706,384	363,677
CONTRACT LIABILITIES		
Current-software development	(958,240)	(1,076,509)

11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

	<u>For the six months ended</u>	
	<u>30 June</u>	<u>30 June</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB’000</i>	<i>RMB’000</i>
		(Restated)
Impairment loss in respect of		
Trade receivables	(7,348)	6,690
Contract assets	<u>15,812</u>	<u>—</u>
	<u>8,464</u>	<u>6,690</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

12. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables, presented based on the invoice date.

	<u>30 June</u>	<u>31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables		
0-30 days	407,340	480,959
31-60 days	41,745	12,503
61-90 days	60,756	32,197
Over 90 days	<u>191,503</u>	<u>72,349</u>
	<u>701,344</u>	<u>598,008</u>

12. TRADE AND OTHER PAYABLES – CONTINUED

The following is an aging analysis of amount due to fellow subsidiaries and ultimate holding company for the purchase of goods and services at the reporting date.

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due to fellow subsidiaries		
0-30 days	12,066	66,961
31-60 days	48,250	8,705
61-90 days	42,520	77,390
Over 90 days	141,172	70,921
	<u>244,008</u>	<u>223,977</u>
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due to ultimate holding company		
0-30 days	918	152
31-60 days	86	39
61-90 days	11	46
Over 90 days	347	730
	<u>1,362</u>	<u>967</u>

13. BORROWINGS

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Current		
Bank borrowings	93,962	—
	93,962	—

The Group's bank borrowings bear actual interest rate ranging from 3.25% to 3.70%.

14. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	'000	'000	RMB'000	RMB'000
				(Restated)
Ordinary shares of HK\$0.01 each:				
Authorised	2,000,000	2,000,000	15,806	15,806
At beginning of period	1,141,921	1,141,921	10,796	10,796
At end of period	1,141,921	1,141,921	10,796	10,796

15. RELATED PARTY TRANSACTIONS/BALANCES

Apart from the amounts due from and to related parties as disclosed in the condensed consolidated statement of financial position, certain of which also constitute connected transaction under Chapter 14A of Listing Rule of HKEX, the Group had entered into the following related party transactions during the period:

	<i>Note</i>	For six months ended	
		30 June 2023	30 June 2022
		<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Supply Transactions	(i)	201,090	86,745
Selling Agency transactions			
(1) Accumulated transactions amount	(ii)	207,582	312,579
(2) Related commission amount		2,049	3,113
Purchase Transactions	(iii)	138,271	59,258
Common Services Transactions	(iv)	4,655	7,234
Leasing Services Transactions	(v)	21,430	21,821

Notes:

- (i) The Group supplied goods for Inspur Group with reference to the market price.
- (ii) The Group engaged Inspur Group as the sales agent for the Group's products and services and Inspur Group received a commission of not more than 1% of the total sales value of the products and services.
- (iii) The Group would purchase computer software and hardware products from the Inspur Group. The unit price of computer products and components to be supplied by the Inspur Group would be agreed between parties with reference to the then prevailing market prices of such products at the relevant time.

15. RELATED PARTY TRANSACTIONS/BALANCES – CONTINUED

Notes: – continued

- (iv) Inspur Group would provide services to the Group in relation to the use of the property on normal commercial terms and on arm's length terms or on terms no less favourable to the Group than those for provision of similar services by Inspur Group to other parties or by other parties to the Group.
- (v) The Group would provide leasing services (leasing services) for the Group's property to Inspur Group at rates negotiated on normal commercial terms and on arm's length terms or on terms no less favourable than those for provision of similar services to other parties.

On 28 July 2022, the Company entered into the Framework Financial Services Agreement with Inspur Group Finance Limited (Hereinafter referred to as “**Inspur Finance Company**”), pursuant to which Inspur Finance Company agrees to provide several categories of financial services including Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services on a non-exclusive basis to the Group for a term of three years ending on 31 December 2025.

Details of such major connected transaction were disclosed in the Company's announcement dated 28 July 2022 and circular dated 31 August 2022 (the “**Circular**”).

According to the deposit service, the maximum daily deposit balance (including any accrued interest) deposited with Inspur Finance Company from the effective date of the framework financial service agreement to 31 December 2025, the recommended upper limit does not exceed RMB 500,000,000. The board of directors confirmed that as of 30 June 2023, the daily deposit balance of the Group in Inspur Finance Company (including any accrued interest) did not exceed the upper limit.

Inspur Finance Company will provide loan financing services to the Group from time to time under the loan financing services. The total outstanding amount under the loan financing services shall not exceed RMB500,000,000. As of 30 June 2023, the Group's total borrowings from Inspur Finance Company amounted to RMB54,739,000, which did not exceed the cap.

Management Discussion and Analysis

Financial Review

As of 30 June 2023, the Group's revenue was mainly derived from its business in the PRC. During the reporting period, the Group's revenue increased by 96.61% and gross profit increased by 39.87% compared with the corresponding period last year.

(1) Turnover

During the reporting period, the Group recorded a turnover of RMB4,096,650,000, representing an increase of 96.61% compared with the corresponding period last year (the corresponding period in 2022: RMB2,083,627,000). Revenue from the cloud services business amounted to RMB720,677,000, representing an increase of 49.79% compared with the corresponding period last year (the corresponding period in 2022: RMB481,134,000), and revenue from cloud services business accounted for 39.18% of the Group's software revenue plus cloud service revenue and was the driving force behind the Company's revenue growth; Revenue from the management software business amounted to RMB1,118,811,000, representing an increase of 11.18% compared with the corresponding period last year (the corresponding period in 2022: RMB1,006,296,000); Revenue from the Internet of Things (IoT) solutions business amounted to RMB2,257,162,000, representing an increase of 278.59% compared with the corresponding period last year (the corresponding period in 2022: RMB596,197,000).

(2) Gross profit

During the reporting period, gross profit from operating activities was RMB838,615,000, representing an increase of 39.87% compared with the corresponding period last year (the corresponding period in 2022: RMB599,557,000). The overall gross profit margin was 20.47%, representing a decrease of 8.30 percentage points compared with the corresponding period last year (the corresponding period in 2022: 28.77%). The reason for the decrease in gross profit margin compared to the corresponding period last year is the significant increase in revenue from Internet of Things solutions, while the gross profit margin of such businesses is relatively low.

(3) Administrative expenses, research and development expenses and selling expenses

During the reporting period, administrative expenses amounted to RMB198,725,000, representing an increase of 20.83% compared with the corresponding period last year (the corresponding period in 2022: RMB164,471,000), mainly due to the increase in HR administrative expense.

During the reporting period, research and development expenses amounted to RMB414,333,000, representing an increase of 79.51% compared with the corresponding period last year (the corresponding period in 2022: RMB230,816,000), mainly due to the increase in investment in research and development for the cloud services business and the expansion of the Company's research and development staff.

During the reporting period, selling and distribution expenses amounted to RMB243,207,000, representing an increase of 6.75% compared with the corresponding period last year (the corresponding period in 2022: RMB227,827,000), mainly due to the increase in scale of sales.

(4) Other income from operating activities, other net income

During the reporting period, other income, other net income amounted to RMB76,563,000, representing an increase of 4.65% compared with the corresponding period last year (the corresponding period in 2022: RMB73,158,000). This was mainly attributable to: 1) government grants of RMB9,675,000, representing an increase of 365.37% compared with the corresponding period last year (the corresponding period in 2022: RMB2,079,000); 2) rental income from investment properties of RMB22,013,000, representing a decrease of 1.07% compared with the corresponding period last year (the corresponding period in 2022: RMB22,251,000); 3) software tax refund of RMB35,532,000, representing a decrease of 12.49% compared with the corresponding period last year (the corresponding period in 2022: RMB40,603,000).

(5) Investment income (expense) from associates and joint venture

During the reporting period, investment income from associates amounted to RMB3,062,000, representing a decrease of 59.64% compared with the corresponding period last year (the corresponding period in 2022: RMB7,586,000). During the reporting period, investment income from a joint venture amounted to RMB455,000, representing an increase of 284.21% compared with the corresponding period last year (the corresponding period in 2022: expense RMB247,000).

(6) Profit before taxation

During the reporting period, the Company recorded a profit before taxation of RMB48,611,000 (the corresponding period in 2022: RMB34,354,000), mainly due to operating profit of RMB145,825,000 from the management software business, representing an increase of 19.53% compared with the corresponding period last year (the corresponding period in 2022: RMB121,998,000).

(7) Profit attributable to owners of the Company

During the reporting period, profit attributable to owners of the Company amounted to RMB49,241,000 (the corresponding period in 2022: RMB28,010,000), representing a substantial increase in profit for the reporting period, which was mainly attributable to operating profit from management software business which amounted to RMB145,825,000, representing an increase of 19.53% compared with the corresponding period last year (the corresponding period in 2022: RMB121,998,000).

Basic earnings per share were RMB4.31 cents (the corresponding period in 2022: RMB2.45 cents) and diluted earnings per share were RMB4.31 cents (the corresponding period in 2022: RMB2.45 cents).

(8) Financial Resources and Liquidity

As at 30 June 2023, current assets amounted to RMB3,142,302,000, and mainly comprised trade and bills receivables, contract assets and bank balances and cash.

Current liabilities amounted to RMB2,663,562,000 and mainly comprised trade payables, other payables and accrued expenses and contract liabilities. The Group's current assets were 1.18 times (31 December 2022: 1.23 times) of its current liabilities.

The Group's borrowings amounted to RMB93,962,000.

Foreign exchange risk

The Group's purchases and sales are mainly denominated in RMB. The Group does not use any derivative instruments to hedge its currency exposure. The Group is currently in a strong financial position and will be able to meet its foreign exchange liabilities as they fall due. The Group's functional currency is RMB and the statements adopt RMB as the presentation currency.

Employee Information

As of 30 June 2023, the Group had 7,787 employees. During the reporting period, total staff remuneration (including directors' remuneration and Mandatory Provident Fund contributions) under operating activities amounted to RMB770,033,000.

In accordance with the Group's remuneration policy, employees are remunerated based on their performance and competence, and incentives and options are granted to eligible employees. In addition, the Group provides a mandatory provident fund scheme and a medical protection scheme to all employees, and the Company also provides continuing education and training to its employees to continuously upgrade their skills.

Charges of assets

As of 30 June 2023, the Group's bank deposits of RMB11,394,000 (31 December 2022: RMB28,393,000) were pledged for the purpose of tendering.

Business Review

During the reporting period, the Group adhered to its innovation-driven approach and grasped the strategic opportunities arising from the technological revolution, industrial upgrading and the restructuring of the enterprise application software ecosystem, and formulated the “221” business strategy. The Group becomes a world-class software and cloud services provider by providing enterprise-wide business digital transformation services at two levels, namely, digitalization of operation management and digitalization of production operation, supported by the enterprise-level PaaS platform and the intelligent ERP two product systems.

During the reporting period, the new brand of “Inspur Haiyue” was launched. For large group enterprises, Inspur Digital Enterprise has built an integrated operation and management platform to provide customers with operation and management digitization services such as group control, industry-financial synergy, shared services, intelligent decision-making, etc., which has set up many benchmark cases for centralized state-owned enterprises such as Dongfang Electric (東方電氣), China Reform (中國國新) and POWERCHINA (中國電建). For key industries, we have created digital solutions for smart food and storage, smart water, smart mining and other industries, comprehensively promoting the digital upgrading of production and operation, and improving operational efficiency and quality, setting up model cases in such industries as TBEA Co., Ltd (特變電工), China Grain Reserves (中儲糧), Guangzhou Water Supply (廣州自來水), Shandong Energy (山東能源) and so on.

During the reporting period, we further strengthened product research and development and achieved a new upgrade of iGIX, the PaaS platform of Inspur Haiyue, which formed an integrated PaaS platform product system based on hybrid integration, intelligent operation and maintenance, cloud native and intelligent middle-end technologies. Inspur Haiyue Intelligent ERP (GS Cloud) released digital collaborative office software OA, asset management 6.0, and a collaborative trading platform for property auction, etc., to improve the digital application process and scenario, and to support the digital transformation of large-scale enterprises with richer cloud applications.

I. Cloud Services Business

The Group provides comprehensive cloud services to enterprises of different scales, strengthens and expands ecosystem construction, empowers Inspur partners and customers, and enhances core competitiveness in the age of digital economy. During the reporting period, revenue from the cloud services business achieved a rapid growth, recording RMB720,677,000, representing a year-on-year increase of 49.79% (corresponding period in 2022: RMB481,134,000).

(1) Large enterprises market

During the reporting period, the Group targeted the large enterprise market and built a rich digital transformation product portfolio based on iGIX, the PaaS platform of Inspur Haiyue, and GS Cloud, a smart ERP for large enterprises, leverages its leading technological advantages in the field of centralized and state-owned enterprises and its experience in industry practice, and through joint innovation. Together with customers such as China National Building Material(中國建材), POWERCHINA(中國電建), State Power Investment(國家電投), China Railway Signal & Communication(中國通號), Shanxi State-Owned Capital Operation(山西國運), Shandong Energy(山東能源), Fujian Water Resources Investment & Development(福建水投), BGRIMM Technology(礦冶科技), Shandong Yiyang Health Industry Development(山東頤養健康), Hubei Port(湖北港口), Chongqing Yufu(重慶渝富) and Grain(魯糧), we will help customers to progress together, and help them to build world-class enterprises.

Inspur Haiyue PaaS platform iGIX6.0 was released, realizing technologies such as intelligent development, networked cloud-native application deployment, and enterprise-level application big model. Its core sub-platform, inBuilder, a low-code platform, released a community edition to promote ecology through open source, and was successfully selected as one of the third batch of key projects for the high-quality development of the software industry in Shandong Province; inIoT, an intelligent Internet of Things platform, released a three-dimensional digital born solution, which realized the deep integration of dynamic, 3D and business scenarios, and was awarded the First Prize of the Shandong Industrial Software Development Technology Competition; inDataX, a data middle-end, enhanced the functions of real-time data collection and data intelligence to support the data middle-end projects in key industries. On the basis of the above three core sub-platforms, we have newly released four sub-platforms, namely, hybrid integration, intelligent operation and maintenance, cloud native, and intelligent middle-end, forming a comprehensive PaaS platform product system. The Group has participated in the standards of Academy of Information and Communications for packaged application development platforms, integration platform as a service, application observability, platform engineering, etc. Meanwhile, the Group has been ranked first in the CCID aPaaS market leader camp and first in development capability for three consecutive years, and has been helping large enterprises to build a digital base with its leading technological strength, and assisting them to develop in a high-quality manner.

Inspur Haiyue GS Cloud continues to increase research and development investment to cover all business areas. Digital employees are released to enhance the ability of intelligent business processing, improve the efficiency of business processing in shared centres, and reduce the error rate of manual processing. The Group Provide more abundant cloud applications such as Financial Cloud, Travel Cloud, Human Resources Cloud, Asset Cloud, Collaboration Cloud, and Purchasing Cloud to provide stronger support for the digital development of large enterprises. We have actively expanded the scope of Financial Cloud co-operative banks by adding new co-operative banks such as China CITIC Bank(中信銀行), China Everbright Bank(光大銀行), China Postal Savings Bank(郵儲銀行), Chongqing Rural Commercial Bank(重慶農商行), further expanding the marketing partners of Financial Cloud, and signing new contracts with Sichuan Modern Seed Industry(四川省現代種業), Qidong Urban Investment Group(啟東城投集團), Binhai County Coastal Investment(濱海縣沿海投資), Harbin Construction and Development Group(哈爾濱建設發展集團) and other projects. Adhering to the core concepts of experience, sharing, intelligence and openness, the Group continued to enhance the influence of Inspur Haiyue GS Cloud products, winning awards such as the “Typical Demonstration Case” from the China Software Industry Association and the first place in the user satisfaction of group management software (CCW Research).

Based on years of experience in human resources digital platform services for large enterprises, Inspur Haiyue HCM Cloud has continued to iterate and optimize and upgrade, with the product layout based on the core of integration and full coverage of control modes, and the launch of multi-tenant + management and control platform deployment modes, which has become an excellent solution to support the hierarchical control of super-large groups and the individualization of subsidiaries, and has assisted in the construction of more enterprises’ human resource digital transformation, and is currently in operation in 14 large central enterprises, including Aluminum Corporation of China(中國鋁業), China Energy Engineering(中國能建), CITIC Group(中信集團), China National Gold(中國黃金) and others. The newly launched Talent Management Lifecycle Management Solution has been verified online by four first-tier central enterprises.

With “value creation” as its core, Inspur Haiyue Financial Cloud focuses on “data + scenarios + algorithms” to create intelligent finance and promote the digital transformation of the group corporate finance. We have deeply participated in the “Pilot Project on Accounting Data Standards for Electronic Certificates”, responded quickly to the hotspot of digital and electronic ticket promotion, connected to the Natural System Service Platform(樂企服務平台) of the State Administration of Taxation, and achieved interconnection and interoperability with platforms of commerce and travelling, banks, and tax bureaus, which have been successfully launched and promoted by Dongfang Electric (東方電氣) and other projects. It actively meets the construction requirements of the new-generation bill system of the Bills Exchange and simultaneously upgrades the interface of the new-generation bills to provide enterprises with the whole life cycle management of the new-generation bills, which now covers many national banks such as Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, China Merchants Bank, and China CITIC Bank, and realizes the smooth transition of enterprises’ direct connection and docking of the bills. Financial Cloud was awarded the “2022 China Corporate Finance Digital Transformation Product of Choice” by the China CFO Conference, establishing a high-end image for the brand.

Inspur Haiyue Project Cloud empowers enterprises in the whole process of end-to-end, through the integration of internal and external resources, to create an ecological collaboration platform, to realize social collaboration, and effectively improve the production efficiency of the industrial chain. During the reporting period, the Group independently researched and developed project plan management tools, benchmarked against Project, and developed its own algorithms for core functions such as key paths, task rescheduling, hierarchical adjustments, and single-code net maps, to satisfy the plan collaborative programming and progress feedback of the upstream and downstream units of the industry chain, and to assist enterprises in improving their plan management and control capabilities. Project Cloud has successfully served a number of large group enterprises, such as China Gold, Dongfang Electric, Civil Aviation Airport, Sinochem Transportation Construction, Tianjin Port, Tianjin Urban Investment, Tianjin Construction, Guangzhou Water Supply, Guangzhou Port, Huainan Mining, Shanshui Group, etc., and has helped enterprises build intelligent construction digital platforms.

Inspur Haiyue Asset Cloud covers the entire business scenario of asset flow, helping the group achieve intensive asset management, sharing of internal resources, intelligent equipment operation and maintenance, visualization of asset operation, and digitalization of performance evaluation. During the reporting period, the Group independently developed two intelligent evaluation algorithms, namely the coefficient of efficacy method and the quantile matrix method, which, through the establishment of an intelligent evaluation model, enabled enterprises to carry out comprehensive, digital and intelligent evaluation of property assets from multiple dimensions. Asset Cloud has been successfully applied in various industries such as construction, manufacturing, mining, energy, public services, retail, etc. It has helped enterprises such as CRCC Financial Leasing (中鐵金租), China Railway Industry (中鐵工業), Shandong Gold (山東黃金), Huainan Mining (淮南礦業), Huaibei Mining (淮北礦業), Tianjin Energy (天津能源), Tianjin Port (天津港), Guangzhou Water Supply (廣州自來水), Baiguoyuan (百果園), Shanxi Stated-Owned Capital Operation (山西國運) to improve their asset big data and promote the intelligent transformation of asset management.

During the reporting period, the Group made great efforts to develop eco-partners and create a platform for gathering eco-resources. The eco-influence of Inspur “Yunhan” Enterprise Application Industry Alliance was further expanded, and the Group took the lead in the establishment of the Industrial Software Industry Alliance of Shandong Province. The Group organized the Inspur Digital Enterprise Eco-Partnership Conference and signed strategic cooperation agreements with eco-partners such as Guangzhou Saiyi (廣州賽意), Harbin Electric (中軟國際), Huatian Software (華天軟件), Sinosoft (中科軟), Tianwei Chengxin (天威誠信) to promote the sharing of resources among eco-partners. The number of traditional sales partners and consulting and solution partners increased significantly. In terms of strategic partner development, the Group further expanded its banking partners, was included in the supplier database of China CITIC Bank(中信銀行), signed a strategic co-operation agreement with China Everbright Bank(光大銀行), and established co-operative relationships with China Postal Savings Bank(中國郵儲銀行) and Chongqing Rural Commercial Bank(重慶農商行), thereby expanding the scope of cooperation in inclusive finance.

(2) Small and medium-sized enterprise market

During the reporting period, the Group developed a new-generation intelligent ERP, Inspur Haiyue inSuite 3.0, for small and medium-sized enterprises. Based on standardized applications such as Finance Cloud, Supply Chain Cloud, Manufacturing Cloud, and Development Cloud as the core, the Group embedded RPA automation technology to significantly expand the depth and breadth of its business and comprehensively upgraded its intelligent capabilities to support the application of intelligent finance, intelligent manufacturing, and other applications on a scenario basis. Based on inSuite's open source capabilities, the Group released the Inspur Haiyue Small and Medium-Sized Enterprise Digital Service Platform, which focuses on the pain points and difficulties of digital transformation of Small and Medium-Sized Enterprises, and builds a full-process, integrated, one-stop public service system for digital transformation of Small and Medium-Sized Enterprises, providing five core service capabilities: digital transformation services, technology innovation and support, consulting and training services, science and technology financial services, and ecosystem collaboration. The Group has signed contracts with Small and Medium-Sized Enterprises such as Zhongwan Expressway (忠萬高速), Harbin Electric (哈爾濱電氣), Hetong Information (和同信息), Grain Group Food (魯糧食品), Qiantang Colour Printing (錢塘彩印), Shougang Automation Information Technology (首自信), and won awards such as "No. 1 in Product Satisfaction", "High-tech superior product (高新優品)", and "Demonstration Platform for SMEs' Public Services in the Software Industry" from CCW.

During the reporting period, based on the integrated service platform for small and medium-sized enterprises' finance, tax and capital, and relying on the core products and capabilities of Cloud Accounting and Cloud Inventory, Inspur E-yun continued to iterate, optimize and upgrade, and rolled out application products suitable for different types of industries for the application scenarios of small and medium-sized enterprises. Taking cloud accounting and Rural Capital Cloud(三資雲) as the key, Inspur E-yun consolidated the achievements of its banking customers, signed the financial and tax management system project of the head office of Postal Savings Bank(郵儲銀行), and the digital village integrated service platform project of the head office of Chongqing Rural Commercial Bank(重慶農商行), and reached a strategic cooperation with a number of large-scale banks, such as Industrial and Commercial Bank of China, Agricultural

Bank of China and Pudong Development Bank(浦發銀行), etc, which comprehensively assisted its banking customers in their business to go up to the cloud and digital transformation. In 2023, Inspur E-yun was awarded the title of Gazelle Enterprise in Shandong Province.

II. Management Software Business

During the reporting period, the Group made full use of its product advantages in the areas of intelligent manufacturing, intelligent state-owned assets, intelligent treasury, data middle-end, project and asset management, network operation support system (OSS), etc., to build an integrated operation and management platform based on a unified platform covering all levels and business domains of the group, to help deepen the implementation of the digital transformation of the group's enterprises, to further consolidate the high-end market advantage in the management software business, and to actively promote the digital transformation of the whole business of the enterprises. The Group recorded revenue of RMB1,118,811,000, representing an increase of 11.18% as compared with the corresponding period last year (corresponding period in 2022: RMB1,006,296,000).

During the reporting period, Inspur Haiyue Intelligent Manufacturing focused on innovative products, integrating intelligent technologies such as machine vision and domain knowledge mapping, breaking through core industrial software such as HSE and PHM, and forming a relatively complete industrial software product system. Through the “Cloud+Edge+End” collaborative framework, the Group has realized the three-dimensional integration of intelligent manufacturing construction, supporting networked collaborative manufacturing across workshops, factories and regions, and has joined hands with customers such as Shandong Zhanggu, Shandong Fangyuan, Jinan No. 2 Machine Tool, Hao Yang Environment, Xinxin Metals, and Zhongyue Petroleum, etc., to build intelligent manufacturing demonstration projects. The solution for intelligent manufacturing products won the first prize in the Seventh Shandong Province Intelligent Manufacturing Innovation and Entrepreneurship Competition, and the digital supply chain was selected as a “Typical Demonstration Case of Software Industry” at the International Software Development Conference in China.

Inspur Haiyue Intelligent State-owned Assets Supervision Platform is based on the overall structure of one centre, two platforms and three applications, which promotes the integration of business supervision, intelligent decision-making and analysis, and sharing of application services, and provides strong support and guarantee for digital and intelligent supervision. Currently, Inspur has a leading market share of about 51% in the online supervision system for state-owned enterprises of local state-owned assets commissions, playing an active role in improving the efficiency and quality of state-owned assets supervision and innovating the supervision mode. Inspur accelerates the intelligent upgrading of state-owned assets supervision with “Intelligent State-owned Assets,” promotes the restructuring of the system, re-engineering of the process, and reshaping of the system in the field of state-owned assets and state-owned enterprises, and empowers the optimization of the way of state-owned assets supervision, the enhancement of the effectiveness of supervision, and the development of the state-owned enterprises in high quality by means of digital intelligence, and assists in the building of a large pattern of state-owned assets supervision.

During the reporting period, Inspur Haiyue Intelligent Treasury Solution was formally launched to build the “113N” intelligent treasury product system, which comprehensively meets the requirements of the SASAC for the construction of treasury, helps enterprises to change from passive management of funds to active operation, and supports the implementation of group strategies, and has been put on line by 20 central enterprises such as Dongfang Electric(東方電氣) and China Energy Conservation and Environmental Protection(中國節能). The Group has signed new projects in BGRIMM Technology(礦冶科技), Shandong Yiyang Health Industry Development(山東頤養健康), Hubei Port(湖北港口), Chongqing Yufu(重慶渝富), and so on.

During the reporting period, based on Inspur Haiyue data middle-end inDataX, the product is innovative in flow and batch calculation, multi-origin heterogeneous lake warehouse construction, fusion of multi-dimensional modelling and memory database technology, intelligent forecasting and decision-making, big data domain-wide intelligent retrieval technology, etc. The product has passed the evaluation of information technology and informatization scientific and technological achievements of Shandong Province, and it is at the leading level in the country. According to a report released by CCID, inDataX, the data middle-end of Inspur Haiyue, is ranked among the market leaders in the data middle-end market. Currently, inDataX has been deeply applied in central state-owned enterprises such as Dongfang Electric(東方電氣), China Grain Reserves(中儲糧), China Energy Conservation and Environmental Protection(中國節能), Order Gas(奧德燃氣) and many other China's top 500 enterprises, precipitating data governance methodology and creating sample customers in key industries such as ports, construction and large-scale equipment manufacturing. We continue to polish our products in the technical fields of data acquisition, storage, governance, intelligence and sharing, helping enterprises to build the five core data management capabilities of “acquisition, storage, management, calculation and use”, realizing digital intelligence integration, helping enterprises to activate the value of data elements, and empowering their operation and decision-making.

During the reporting period, communications information endeavoured to become a leading provider of integrated computing network operation services, and continued to make in-depth efforts and innovations in computing network infrastructure construction, operation and maintenance, operation and empowerment services. Focusing on the research of arithmetic network technology and the tackling of difficult problems, communications information has exported more than 10 achievements in arithmetic network related standards, white papers and topics, which have formed a continuous influence in the operator market. communications information overcame the main technologies of the arithmetic network and continued to build key products, releasing three leading domestic arithmetic network products, namely the Arithmetic Network Sharing and Trading Centre, the Self-Intelligence Management Platform and the Arithmetic Network Operation System.

III. Internet of Things (IoT) Solutions Business

The Group's Internet of Things solutions business mainly covers, smart grain and smart warehousing, smart mine, smart water and communications industries. Inspur Haiyue Intelligent Internet of Things platform inIoT, using cloud-side-end synergy architecture, with multi-network and multi-protocol widely adapted, intelligent equipment automatic sensing, real-time calculation and analysis based on the rules engine, comprehensive monitoring of data links, 3D cloud configuration visualization and other capabilities, can meet the centralized control of equipment at the level of a large enterprise group and the subordinate unit edge side of the equipment full lifecycle management needs, the platform has been widely used in Shandong Energy(山東能源), Guangzhou Water Supply(廣州自來水) and other large enterprise customers. During the reporting period, revenue from the Internet of Things solutions business amounted to RMB2,257,162,000, representing a year-on-year increase of 278.59% (the corresponding period in 2022: RMB596,197,000).

During the reporting period, the core competitiveness of products of smart grain and smart warehousing was further enhanced, with the innovative completion of the research and development of key applications such as the visual configuration and disposition of the intelligent early warning centre, the electronic cargo position card, and the assessment of the responsibility system, and the official release of the “ Inspur Haiyue Smart Grain and Smart Warehousing Supervision Cloud Platform” product, as well as the innovative polishing of 10 industry first-class solutions and 20 marketing tools of three major categories, including the purchase and sale supervision, intelligent grain storage, grain MEC, warehousing logistics and intelligent parks. Through solution innovation and technological advantages, the Group has ploughed deep into the grain market and created a new generation of intelligent grain storage benchmarks with “Technology Prevention and Control”, and newly signed one central enterprise platform and five provincial platforms, consolidating Inspur's market position in the grain informatization industry. We will focus on promoting intelligent storage and logistics business opportunities such as material storage, warehouse and distribution bases, on-site logistics, unmanned warehouses, cold chain, etc., and further explore opportunities in the fields of digital parks, digital supply and marketing, and digital agriculture.

During the reporting period, communications information technology accelerated the integration of arithmetic networks and products, and built a number of arithmetic network innovation demonstration benchmarks in the directions of arithmetic network scheduling, video, etc. with a number of provincial operators to provide a full range of services from arithmetic network operation support services to services for arithmetic network application scenarios, and to open up a new chapter in the arithmetic network integrated operation services.

Business Planning

Software is the key carrier of information technology and the key link to industrial integration. Inspur Digital Enterprise insists on the leadership of scientific and technological innovation, and in the field of high-end software, it has always adhered to the concept that first-class customers achieve first-class software, and that high-quality demand is the driving force of research and development and innovation, and it has built Inspur enterprise digitization platform, comprehensively upgraded the strategy of the Company, deepened the digitization of operation and management, consolidated the advantage of the high-end market, and accelerated the development of the market for small and medium-sized enterprises. At the same time, the Company is also committed to the digitization of production and operation, and promoting the transformation of the enterprise's entire business into digitization. In the future, the Company will further emancipate our mindset, strengthen the cooperation with first-class enterprises, jointly innovate and expand our path, and strive to become a world-class enterprise software and cloud service provider.

Purchase, sale or redemption of shares

During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Competitive interests

During the reporting period, none of the Directors, Chief Executive Officers, substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete with the business of the Group.

Share Option Scheme

The Company adopted a new share option scheme on 23 November 2018. At the end of the reporting period, the number of shares available for issue and outstanding under the share option scheme was 34,695,100 shares.

Audit Committee

The Company has established an audit committee in accordance with the written terms of reference of the Listing Rules. The Audit Committee is primarily responsible for reviewing and supervising the Group's financial reporting process and internal control system. The Audit Committee comprises three independent non-executive directors, namely Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian. Mr. Wong Lit Chor, Alexis is the chairman of the Audit Committee.

The Audit Committee has reviewed this report and has provided its recommendations and opinion thereon.

Code of Corporate Governance Practices

As of 30 June 2023, the Group has complied with the Code Provisions on Corporate Governance Practices (the “**Code**”) as set out in Appendix 14 to the Listing Rules for Main Board.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in relation to Securities Transactions by Directors (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules for Main Board. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2023.

By Order of the Board

Inspur Digital Enterprise Technology Limited

Chairman

Wang Xingshan

Hong Kong, 31 August 2023

As at the date of this announcement, the Board comprised Mr. Wang Xingshan, Mr. Wang Yusen and Mr. Cui Hongzhi as executive Directors; Ms. Li Chunxiang as non-executive Director and Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian as independent non-executive Directors.