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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “Board”) of Inspur Digital Enterprise Technology Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 as follows:

Financial highlights for the year ended 31 December 2023

- Turnover increased by approximately 19.1% compared with 2022 to approximately RMB8,294,446,000, of which the turnover of Cloud services increased by approximately 59.0% compared with 2022 to approximately RMB2,000,073,000, the turnover of Management Software increased by approximately 9.0% compared with 2022 to approximately RMB2,465,326,000, and the turnover of Internet of Things (IoT) solutions increased by approximately 11.1% compared with 2022 to approximately RMB 3,829,047,000.
- Profit attributable to owners of the Company was approximately RMB201,630,000 (2022: RMB118,690,000).
- Basic earnings per share attributable to owners of the Company were approximately RMB17.66 cents (2022: RMB10.39 cents).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>NOTES</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	8,294,446	6,966,590
Cost of sales		(6,376,644)	(5,525,366)
Gross profit		1,917,802	1,441,224
Other income	4	222,098	216,092
Other gains and losses, net	4	(3,024)	(1,031)
Impairment losses under expected credit loss model, net of reversal		(66,245)	(42,075)
Administrative expenses		(367,543)	(281,364)
Research and development expenses		(859,197)	(735,792)
Selling and distribution expenses		(538,294)	(481,903)
Finance costs		(6,367)	(3,398)
Changes in fair value of investment properties	9	(29,138)	(14,178)
Share of results of associates		7,677	6,049
Share of results of a joint venture		895	45,016
Profit before tax		278,664	148,640
Income tax expenses	6	(68,239)	(23,831)
Profit for the year	5	210,425	124,809
Profit for the year attributable to owners of the Company		201,630	118,690
Profit for the year attributable to non-controlling interests		8,795	6,119
		210,425	124,809
Earnings per share	8		
– Basic (RMB Cent)		17.66	10.39
– Diluted (RMB Cent)		17.65	10.39

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	210,425	124,809
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 of equity instrument at FVTOCI	—	9
Gain on revaluation upon transfer from property, plant and equipment to investment properties	1,300	—
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties	(195)	—
	<u>1,105</u>	<u>(30)</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(176)	(826)
Other comprehensive income (expense) for the year, net of tax	929	(856)
Total comprehensive income for the year	<u>211,354</u>	<u>123,953</u>
Total comprehensive income for the year attributable to:		
–Owners of the Company	202,559	117,834
–Non-controlling interests	8,795	6,119
	<u>211,354</u>	<u>123,953</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

		31 December	31 December
	<i>NOTES</i>	2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		296,840	374,401
Investment properties	9	790,072	747,920
Right-of-use assets		55,689	66,344
Other intangible assets		33,628	34,000
Interests in associates		445,281	217,604
Interest in a joint venture		137,308	136,267
		1,758,818	1,576,536
Current assets			
Inventories		1,494	438
Trade and bills receivables	10	1,605,229	1,052,532
Debt instruments at FVTOCI		15,453	43,548
Prepayments, deposits and other receivables		431,450	257,168
Contract assets		824,391	363,677
Amount due from ultimate holding company	11	1,966	5,749
Amounts due from fellow subsidiaries	11	389,460	296,818
Pledged bank deposits		31,654	28,393
Bank balances and cash		1,264,504	1,193,170
		4,565,601	3,241,493

	<i>NOTES</i>	31 December 2023 RMB'000	31 December 2022 RMB'000
Current liabilities			
Trade payables	12	1,198,861	598,008
Other payables, deposits received and accrued expenses		820,594	646,286
Lease liabilities		13,896	12,322
Contract liabilities		1,427,669	1,076,509
Provisions		7,910	12,551
Amount due to ultimate holding company	13	1,172	967
Amounts due to fellow subsidiaries	13	218,816	223,977
Amount due to an associate		146,001	—
Deferred income - government grants		24,430	41,779
Tax liabilities		55,729	16,010
		3,915,078	2,628,409
Net current assets		650,523	613,084
Total assets less current liabilities		2,409,341	2,189,620
Non-current liabilities			
Lease liabilities		6,286	7,926
Deferred income - government grants		83,840	102,598
Deferred tax liabilities		221,544	201,129
		311,670	311,653
		2,097,671	1,877,967
Capital and reserves			
Share capital		10,796	10,796
Reserves		2,036,768	1,826,839
Equity attributable to owners of the Company		2,047,564	1,837,635
Non-controlling interests		50,107	40,332
Total equity		2,097,671	1,877,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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”). Inspur Group Limited (“IPG”), a company established in the People’s Republic of China (the “PRC”) is the immediate holding company and ultimate holding company of the Company.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the 2020 amendments) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants (the 2022 amendments) ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 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 Effective for annual periods beginning on or after a date to be determined.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers ("CODM"), for the purpose of resources allocation and performance assessment based on nature of types of services provided. These revenue streams and the internal reports about the components of the Group are regularly reviewed by the CODM for the purpose of resources allocation and performance assessment.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

1. Cloud services - Provision of cloud services
2. Management software - Provision of software development and other software services
3. Internet of things (IoT) solution - Provision of sales of IT peripherals and software

Segment revenue and results

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

For the year ended 31 December 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>2,000,073</u>	<u>2,465,326</u>	<u>3,829,047</u>	<u>8,294,446</u>
Segment (loss) profit	<u>(56,201)</u>	<u>377,781</u>	<u>55,023</u>	376,603
Unallocated other income, gains and losses, net				47,782
Change in fair value of investment properties				(29,138)
Share of results of associates				7,677
Share of results of a joint venture				895
Share-based payments				(27,918)
Unallocated administrative expenses				(24,594)
Unallocated selling and distribution expenses				(31)
Impairment losses under expected credit loss model, net of reversal				(66,245)
Finance costs				<u>(6,367)</u>
Profit before tax				<u>278,664</u>

For the year ended 31 December 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>
Segment revenue	<u>1,258,088</u>	<u>2,261,227</u>	<u>3,447,275</u>	<u>6,966,590</u>
Segment (loss) profit	<u>(133,257)</u>	<u>223,699</u>	<u>49,154</u>	139,596
Unallocated other income, gains and losses, net				42,774
Change in fair value of investment properties				(14,178)
Share of results of associates				6,049
Share of results of a joint venture				45,016
Share-based payments				114
Unallocated administrative expenses				(25,233)
Unallocated selling and distribution expenses				(25)
Impairment losses under expected credit loss model, net of reversal				(42,075)
Finance costs				<u>(3,398)</u>
Profit before tax				<u>148,640</u>

All of the segment revenues reported for both years were from external customers.

The CODM of the Company makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Geographic information

The Group's operations are currently carried out in the People's Republic of China, except for some services rendered by management software segment which is located in other regions.

Information about the Group's revenue from external customers is presented based on location of customers irrespective of the origin of the services. Information about the Group's non-current assets* is by geographic location of assets.

	Revenue from		Non-current assets*	
	external customers			
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Country of domicile				
– Mainland China	8,263,825	6,897,018	1,729,826	1,545,276
– Hong Kong	—	—	26,300	27,130
Others	30,621	69,572	2,692	4,130
	<u>8,294,446</u>	<u>6,966,590</u>	<u>1,758,818</u>	<u>1,576,536</u>

* Non-current assets excluded those relating to equity instrument at FVTOCI.

Information about major customers

The Group has no customers with revenue accounting for more than 10% of the Group's revenue in 2023 and 2022.

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Other income:		
Interest income on bank deposits	8,148	15,591
VAT refund (note a)	100,354	100,669
Government subsidies and grants (note b)	72,249	58,594
Rental income	40,567	41,099
Bargain purchase gain on acquisition of a subsidiary	—	95
Others	780	44
	<u>222,098</u>	<u>216,092</u>
Other gains and losses, net:		
Net foreign exchange (loss) gain	(307)	2,136
Net loss on disposal and written off of property, plant and equipment	(122)	(337)
Loss on disposal of a subsidiary	—	(19)
Others	(2,595)	(2,811)
	<u>(3,024)</u>	<u>(1,031)</u>

Notes:

- a. Inspur Generally Software Co., Ltd. and Inspur Communications System Co., Ltd. are engaged in the business of distribution of self-developed and researched software. Under the current PRC tax regulation, both are entitled to a refund of VAT paid for sales of self-developed software in the PRC.
- b. For the year ended 31 December 2023, income of approximately RMB6,423,000 (2022: RMB6,679,000) represents the subsidies from the relevant government authorities for the purpose of encouraging the development of the group entities engaged in new and high technology sector. The subsidies received are in substance a kind of immediate financial support to the group entities with no future related costs and are recognised as income when the approval of the relevant government authority has been obtained. There are no other conditions attached to these subsidies granted to the Group.

For the year ended 31 December 2023, income of approximately RMB65,826,000 (2022: RMB51,915,000) represents the grants from the relevant government authorities for funding certain feasibility study projects on social development. The grants received are recognised as income when i) the related projects have been completed, ii) the evaluation of the project results by the relevant government authority has been completed, and iii) no other future conditions are required to fulfill by the Group.

5. PROFIT FOR THE YEAR

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	33,418	36,862
Depreciation for right-of-use assets	29,184	20,256
Amortisation for other intangible assets	15,215	14,055
Total depreciation and amortisation	77,817	71,173
Auditor's remuneration	2,060	3,936
Expense relating to short-term leases	18,784	29,055
Gross rental income from investment properties	(46,059)	(48,711)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	3,298	4,967
direct operating expenses incurred for investment properties that did not generate rental income during the year	2,194	2,645
	(40,567)	(41,099)
Directors' remuneration	13,674	7,507
Other staff costs		
Salaries and other benefits	2,009,383	1,742,374
Share-based payments	26,737	114
Retirement benefits schemes contributions	278,464	226,896
	2,314,584	1,969,384
Cost of inventories recognised as expense in cost of sales	2,743,322	2,600,227

6. INCOME TAX EXPENSES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC EIT	56,927	13,218
(Over) under provision in prior years		
PRC EIT	(8,908)	11,393
Deferred tax	20,220	(780)
	<u>68,239</u>	<u>23,831</u>

7. DIVIDEND

After the closing date of the reporting period, the directors of the company have proposed to distribute a final dividend of HK\$0.03 (2022: HK\$0.02) per ordinary share for the year ended 31 December 2023, subject to the approval by shareholders at the upcoming annual general meeting.

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 year attributable to owners of the Company and on the number of shares as follows:

	2023	2022
	RMB'000	RMB'000
<u>Earnings</u>		
Profit for the year attributable to the owners of the Company	<u>201,630</u>	<u>118,690</u>
	2023	2022
	'000	'000
<u>Number of shares</u>		
Number of basic ordinary shares for the purpose		
of basic earnings per share	1,141,920	1,141,920
Effect of dilutive potential ordinary shares arising from		
the outstanding share options	<u>219</u>	<u>120</u>
Weighted average number of ordinary shares for the		
purpose of diluted earnings per share	<u>1,142,139</u>	<u>1,142,040</u>

9. INVESTMENT PROPERTIES

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 month to 3 years, with unilateral rights to extend the lease beyond initial period held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	<i>RMB'000</i>
FAIR VALUE	
At 31 December 2021	772,975
Transfer to property, plant and equipment and right-of-use assets	(12,500)
Changes in fair value of investment properties	(14,178)
Exchange adjustments	<u>1,623</u>
At 31 December 2022	747,920
Transfer from property, plant and equipment and right-of-use assets	105,524
Transfer to property, plant and equipment	(34,770)
Changes in fair value of investment properties	(29,138)
Exchange adjustments	<u>536</u>
At 31 December 2023	<u><u>790,072</u></u>

10. TRADE AND BILLS RECEIVABLES

	At 31 December	At 31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables		
– contracts with customers	1,699,610	1,116,227
Less: Allowance for credit losses	(94,381)	(63,695)
	<hr/>	<hr/>
Total trade and bills receivables	<u>1,605,229</u>	<u>1,052,532</u>

The following is an aged analysis of trade and bills receivables, net of allowance for credit losses presented based on the invoice dates at the end of the reporting period:

	At 31 December	At 31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	1,063,945	629,782
31-60 days	130,627	126,106
61-90 days	57,405	56,238
91-120 days	60,895	37,649
121-180 days	65,702	44,423
Over 180 days	226,655	158,334
	<hr/>	<hr/>
	<u>1,605,229</u>	<u>1,052,532</u>

11. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Amounts due from related companies		
Trading in nature		
Fellow subsidiaries	335,949	283,937
Ultimate holding company	<u>1,862</u>	<u>1,851</u>
	<u>337,811</u>	<u>285,788</u>
Non-trading in nature		
Fellow subsidiaries	53,511	12,881
Ultimate holding company	<u>104</u>	<u>3,898</u>
	<u>53,615</u>	<u>16,779</u>
Total amounts due from related companies	<u>391,426</u>	<u>302,567</u>
Analysed as:		
Amounts due from fellow subsidiaries	389,460	296,818
Amount due from ultimate holding company	<u>1,966</u>	<u>5,749</u>
Total amounts due from related companies	<u><u>391,426</u></u>	<u><u>302,567</u></u>

12 TRADE PAYABLES

The following is an aged analysis of trade payable presented based on the invoice date.

	At 31 December	At 31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0-60 days	892,091	493,462
61-90 days	7,933	32,197
Over 90 days	298,837	72,349
	<u>1,198,861</u>	<u>598,008</u>

13. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	At 31 December	At 31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trading in nature		
Fellow subsidiaries	201,447	220,575
Ultimate holding company	834	568
	<u>202,281</u>	<u>221,143</u>
Non-trading in nature		
Fellow subsidiaries	17,369	3,402
Ultimate holding company	338	399
	<u>17,707</u>	<u>3,801</u>
Total amounts due to related companies	<u>219,988</u>	<u>224,944</u>
Analysed as:		
Amounts due to fellow subsidiaries	218,816	223,977
Amount due to ultimate holding company	1,172	967
Total amounts due to related companies	<u>219,988</u>	<u>224,944</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group's revenue was mainly derived from its business in mainland China. During the reporting period, the Group's revenue increased by 19.1% and gross profit increased by 33.1% as compared with the corresponding period of last year.

(1) Revenue

During the reporting period, the Group recorded a revenue of RMB8,294,446,000 (2022: RMB6,966,590,000), representing an increase of 19.1% as compared with last year. Revenue from cloud services amounted to RMB2,000,073,000 (2022: RMB1,258,088,000), representing an increase of 59.0% as compared with the corresponding period of last year. During the year, revenue from cloud services accounted for 44.8% of the Group's revenue from software and cloud services, which has become a new growth driver for the Group's revenue. Revenue from management software for the year was RMB2,465,326,000 (2022: RMB2,261,227,000), representing an increase of 9.0% as compared with the corresponding period of last year. Revenue from Internet of Things (IoT) solutions was RMB3,829,047,000 (2022: RMB3,447,275,000), representing an increase of 11.1% as compared with the corresponding period of last year.

(2) Gross profit

In this report, gross profit from operating activities amounted to RMB1,917,802,000 (2022: RMB1,441,224,000), representing an increase of 33.1% as compared with the corresponding period of last year. The overall gross profit margin was 23.1% (2022: 20.7%), representing an increase of 2.4 percentage points as compared with the corresponding period of last year. The increase in gross profit margin was attributable to the significant increase in revenue from cloud services, which had a relatively high gross profit margin.

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

During the reporting period, administrative expenses amounted to RMB367,543,000 (2022: RMB281,364,000), representing an increase of 30.6%, which was mainly attributable to the increase in the number of the Company's administrative staff and the increase in the administration-related manpower costs. Another reason is that the amortization of option expenses resulted in an approximately 10% increase in administrative expenses.

During the reporting period, research and development expenses amounted to RMB859,197,000 (2022: RMB735,792,000), representing an increase of 16.8% as compared with the corresponding period of last year, mainly due to the Company's continued promotion of the transformation of its business to the cloud, the Company's expansion of its research and development staff, and the increase in the research and development-related manpower costs.

During the reporting period, selling and distribution costs amounted to RMB538,294,000 (2022: RMB481,903,000), representing an increase of 11.7% as compared with the corresponding period of last year, mainly due to the increase in marketing expenses associated with the expansion of business scale during the reporting period.

(4) Other income, other gains and losses

During the reporting period, other income amounted to RMB222,098,000 (2022: RMB216,092,000), representing an increase of 2.8% as compared with the corresponding period of last year. This was mainly due to the recognition of income from government grants of RMB72,249,000 (2022: RMB58,594,000), representing an increase of 23.3%.

During the reporting period, other gains and losses amounted to a loss of RMB3,024,000 (2022: loss of RMB1,031,000).

(5) Investment income from the Company's associates and joint ventures

During the reporting period, investment income from associates amounted to RMB7,677,000 (2022: RMB6,049,000), representing an increase of 26.9% as compared with the corresponding period of last year. During the reporting period, investment income from joint ventures amounted to RMB895,000 (2022: RMB45,016,000), representing a decrease of 98.0% as compared with the corresponding period of last year, mainly due to investment income arising from the disposal of certain assets of the joint ventures in the previous year.

(6) Profit before tax

During the reporting period, the Company recorded a profit before tax of RMB278,664,000 (2022: RMB148,640,000), representing a significant increase as compared with the corresponding period of last year, mainly due to the following factors: (1) the operating profit of the management software segment increased to RMB377,781,000 (2022: RMB223,699,000), representing an increase of 68.9% as compared with the corresponding period of last year, despite the fierce market competition; (2) The operating profit of the IoT and solutions revenue segment increased to RMB55,023,000 (2022: RMB49,154,000), representing an increase of 11.9% as compared with the corresponding period of last year. The Company's revenue from cloud services business continued to grow at a rapid pace, but the Company continued to increase its investment in marketing and research and development, and was still in a loss-making position, with the segment loss of cloud services business amounting to RMB56,201,000 (2022: loss of RMB133,257,000), representing a decrease of 57.8% as compared with last year.

(7) Profit attributable to owners of the Company

During the reporting period, profit attributable to owners of the Company amounted to RMB201,630,000 (2022: RMB118,690,000), representing a substantial increase in profit attributable to owners of the Company as compared with last year, which was mainly due to the substantial increase in operating profit of the management software business segment as compared with the corresponding period of last year.

Basic earnings per share were RMB17.66 cents (2022: RMB10.39 cents) and diluted earnings per share were RMB17.65 cents (2022: RMB10.39 cents).

(8) Financial resources and liquidity

As at 31 December 2023, equity attributable to owners of the Company was RMB2,047,564,000 (31 December 2022: RMB1,837,635,000). Current assets amounted to RMB4,565,601,000, mainly including trade and bills receivables of RMB1,605,229,000, and bank deposits and cash balances of RMB1,264,504,000, which were mainly RMB deposits. Current liabilities amounted to RMB3,915,078,000, comprising mainly trade and bills payables, other payables and accrued expenses. The Group's current assets were approximately 1.17 times (31 December 2022: 1.23 times) of current liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group's purchases and sales are mainly denominated in Renminbi. The Group has not used any derivative to hedge its currency exposure. The Directors believe that the Group will be able to meet its foreign exchange liabilities as and when they fall due given the Group's strong financial position.

The functional currency of the Company is Renminbi ("RMB").

CAPTIAL STRUCTURE

The Group finances its operations primarily with shareholders' funds, internally generated funds and operating results.

EMPLOYEE INFORMATION

As at 31 December 2023, the Group had 7,927 employees. During the reporting period, the total remuneration of employees (including directors' emoluments and mandatory provident fund contributions) under the operating activities amounted to approximately RMB2,328,258,000.

According to the comprehensive remuneration policy, which was formulated by the Group and reviewed by the management, employees are remunerated based on their performance and experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employees with reference to the Group's and the employees' performances. In addition, the Group provides mandatory provident fund, medical and insurance schemes for employees. The Group also offers continuous education and training programs to the management and other employees to enhance their skills and knowledge.

CHARGES ON ASSETS

As at 31 December 2023, the Group's bank deposits of approximately RMB31,654,000 (31 December 2022: approximately RMB28,393,000) were pledged.

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 transformation and the restructuring of enterprise software ecosystems by launching the new brand of “Inspur Haiyue”, which is supported by a product system of intelligent ERP, industrial software and PaaS platforms, and facilitates the transformation of enterprises into full-business digitization through the digitalization of operation management and digitalization of production operations, with a view to becoming a world-class enterprise software and cloud services provider. We are committed to becoming a world-class enterprise software and cloud service provider.

During the reporting period, the Group stepped up its efforts in technological innovation and reshaped its product portfolio to further enhance the competitiveness of its products and technologies. Haiyue’s intelligent ERP GS Cloud products for large enterprises have withstood the test of large-scale application and significantly improved delivery capability, and have been formally accepted by a number of major projects such as China Energy Engineering (中國能建); Haiyue’s industrial software MOM 6.0 has been released, and has supported six enterprises such as JIER Machine-Tool(濟南二機床) and Shandong Zhanggu(山東章鼓), etc. to be selected as the demonstration factories of the Ministry of Industry and Information Technology; Haiyue’s PaaS platform maintains the No. 1 overall competitiveness of aPaaS in China, and seizes the digital technology base market of large enterprises, breaking through 40 large enterprise customers such as SINOMACH (中國國機) and AISINO (中國航信); grasping the hotspots of “Intelligent, Large Model, Open Source”, Haiyue’s large model inGPT has been released and applied to customers such as Dongfang Electric(東方電氣).

The high-end market position was further consolidated and upgraded, with 11 new contracts signed with the headquarters of central enterprises such as China Rare Earths(中國稀土) and SINOMACH (中國國機), breakthroughs in energy central enterprises such as Datang Corporation(大唐集團) and PipeChina(國家管網), and the construction of the treasury of 25 central enterprises, which was the first in market share and the first in the number of excellent acceptance evaluations. Focusing on state-owned enterprises, we made new breakthroughs in the supervision of state-owned assets by signing contracts with 22 provincial and municipal state-owned enterprises commissions; we continued to take the lead in the market for financial sharing with state-owned enterprises, and made breakthroughs with key clients such as KWEICHOW MOUTAI(貴州茅台), Shanghai Tunnel (上海隧道)and Beijing Energy Group(京能集團).

I. Cloud Services Business

The Group provides comprehensive cloud services to enterprises of different sizes, strengthens and expands its ecosystem construction, empowers Inspur partners and customers, and enhances its core competitiveness in the digital economy. During the reporting period, revenue from the cloud services business achieved rapid growth. RMB2,000,073,000 was recorded, representing a year-on-year increase of 59.0% (2022: RMB1,258,088,000).

(1) Large enterprises market

The Group launched iGIX6.0, the PaaS platform of Haiyue, which formed seven sub-platforms including low-code platform, IoT platform, data middle-platform, Haiyue big model, hybrid integration platform, cloud-native platform and intelligent operation and maintenance platform, which comprehensively enhanced the four major capabilities of intelligent automation, comprehensive connectivity, flexible assemblage, and open ecology, and provided enterprises with a smarter, more comprehensive, more agile, and more open one-stop decouplable digital innovation base. Inspur Haiyue Big Model covers a wide range of intelligent applications and services, such as intelligent dialogue, conversational data decision analysis, intelligent development assistant, intelligent contract audit, etc. It penetrates into the areas of finance, treasury, supply chain, software development and other corporate services, and assists enterprises in their automation

and intelligent transformation and upgrading. The Group has been elected as the leader of the “Low-code Development Platform Special Group” by the National Information Standard Committee of the People’s Republic of China. Inspur Haiyue iGIX won the “Most Competitive Product of China Enterprise PaaS Platform” award from SEDI(賽迪); InBuilder, the low-code platform of Inspur Haiyue, is the only product that has passed all nine low-code standards of the China Electronic Technology Standardization Institute, and has established an open, collaborative and innovative ecosystem by relying on the country’s first enterprise-level low-code open source community to lead the trend of low-code development. It won the “2023 Software Industry Innovative Open Source Project Award” and “2023 Software Industry Active Open Source Community Award” from the China Software Industry Association, and the “2023 Top 10 Innovative Technologies for the Digital Economy” from SEDI for Inspur Haiyue Haiyue Big Model.

During the reporting period, the Group launched GS Cloud 6.0, the intelligent ERP for large-scale enterprises of Inspur Haiyue, with a more complete product system and significant enhancements in terms of integration and intelligence. Based on the successful implementation of strategic projects such as Luhua (魯花) and Bohua(渤化), the Group has constructed “eight horizontal and eight vertical” high-speed channels for the integration of industry and finance, and created an end-to-end digital platform for the entire process, which has significantly enhanced the capability of product integration. In terms of intelligence, it integrates intelligent technologies such as big model, machine learning and knowledge spectrum into various product areas, constructs a big model of the enterprise domain, and provides various AI service capabilities such as intelligent question and answer, intelligent recommendation, etc., so as to provide enterprise users with a more accurate and efficient intelligent experience of the big model of the domain. The Group’s enterprise management software was awarded the first place in overall competitiveness, the first place in market share (CCID) and the first place in user satisfaction (CCW). During the reporting period, the Group broke through strategic clients such as China Huadian(中國華電), Datang Corporation(大唐集團), China Salt(中國鹽業), KWEICHOW MOUTAI(貴州茅台), China Rare Earths(中國稀土), Beijing Energy(北京能源), Guangzhou City Investment(廣州城投), Guangzhou Construction(廣州建築), and JONJEE High-Tech(中鎢高新), etc. Huatai Securities was awarded the first category of cases of innovation in national corporate archive work by the National Archives Administration of China for the year 2023.

Focusing on the pain points of budgeting and management accounting as well as the trend of enterprise digitalization, Inspur Haiyue Finance Cloud integrates machine vision, AI algorithms, intelligent models and other technologies to form an intelligent financial system covering four major products: finance and tax, sharing, treasury and performance. Responding quickly to the hotspot of digital and electronic ticket promotion, we connected with the service platform of the State Administration of Taxation and constructed an integrated product of “Industrial Finance and Tax File” originated from electronic certificates, which has been successfully launched and promoted in projects such as Dongfang Electric (東方電氣) and Huatai Securities(華泰證券); through memory computing, we optimized the performance of the product in large data volume and complex scenes, and increased the efficiency by more than 5 times, which has been applied in projects such as China Tower (中國鐵塔) and Tongrentang Group (同仁堂集團) on a trial basis. During the reporting period, we signed contracts for China Huadian’s overseas sharing project (中國華電海外共享項目), Shandong Lingong Industry and Finance Integration Project(山東臨工工業財一體化項目), Guangzhou City Investment Group Digital Transformation Project(廣州城投集團數字化轉型項目), Guangzhou Construction Group Finance Sharing Project (廣州建築集團財務共享) and other projects.

During the reporting period, the Group launched HCM Cloud 5.0, an integrated human resources service platform, and launched the leading “4912” flexible hierarchical control business architecture, which comprehensively supports four major control businesses and covers nine major business segments of human resources management, and has a complete product layout based on a foundation platform, which integrates two platforms, namely, internal empowerment and external integration. Inspur HCM Cloud5.0 adopts the new generation of cloud computing and micro-service technology architecture, and uses a low-code extension development platform to build an ecological HR management system, realizing three control modes - centralized control, hierarchical control, and shared services - and a complete coverage of business modules, and promoting the landing of a world-class HR management system. The Group created benchmark cases for Minmetals Development (五礦發展), Beijing New Aviation City (北京新航城) and Linyi City Development (臨沂城發). We made breakthroughs with six new central enterprises and successfully signed contracts with industrial benchmark enterprises such as Guangdong Energy(廣東能源), Guangdong Communications(廣東交通).

(2) Small and medium-sized enterprise (SME) market

During the reporting period, the Group launched Inspur Haiyue SME Intelligent ERP inSuite 3.0, which is preconfigured with enterprise-level AI models, featuring integrated, cloud-native, lean, and digital intelligence, and is ready to use out-of-the-box, fast and accurate, helping enterprises achieve multi-organizational operations and efficient collaboration, and was awarded the “No. 1 Product Satisfaction” and the “Demonstration Platform for SMEs’ Public Services in the Software Industry” by CCW. The Group launched the “Beneficial Enterprises” scheme to promote “chain” transformation, and was selected as a service provider in 10 pilot cities for digital transformation of SMEs, including Nanchang, Xiamen and Shijiazhuang. The Group signed contracts with Lingong-Sanyou (臨工-三友), Guoheng Investment(國恒投資), Huamei Shengye(華美盛業), Hetong Information(和同信息), Lu Liang Food(魯糧食品), Qiantang Colour Printing(錢塘彩印), Shougang Automation Information (首自信) and other clients.

During the reporting period, Inspur EasyCloud continued to iterate and upgrade its core products such as Cloud Accounting, Cloud Inventory and Cloud Store for small and micro enterprises, focusing on the optimization of functions such as invoicing, taxation and direct connection between banks and enterprises, which led to a steady growth in the number of new customers and the rate of contract renewals. We deepened the integration of financial ecosystems and accelerated the expansion of the SaaS market for small and medium-sized enterprises, adding new strategic customers in the financial industry such as Postal Savings Bank(郵儲銀行), Bank of Communications(交通銀行), Pudong Development Bank(浦發銀行), and Chongqing Agricultural and Commercial Bank(重慶農商行). The Company was recognized as a gazelle enterprise in Shandong Province and a specialized enterprise in Shandong Province, and won the “2023 China’s Leading Enterprise Award for Financial Software Technology” and the “2023 China’s Best Product Award for Financial Software Technology” from Digital Economy Watch.

II. Management Software Business

During the reporting period, the Group made full use of its product advantages in the fields of intelligent manufacturing, intelligent state-owned assets, intelligent treasury and data middle-platform to build an integrated operation and management platform based on a unified platform covering all levels and business domains of the Group, assisting the Group’s enterprises in deepening the implementation of digital transformation, further consolidating the high-end market advantage in the management software business, and proactively promoting the transformation of the entire business into a digital enterprise. Revenue of RMB2,465,326,000 was recorded, representing a year-on-year increase of 9.0% (2022: RMB2,261,227,000).

During the reporting period, Inspur Haiyue industrial software MOM 6.0 was launched, which comprehensively enhanced the overall solution capability of intelligent manufacturing; the MES product capability initially reached the level of international advanced software in the equipment manufacturing industry, and three new products, namely HSE, PHM and EMS, were added, which formed a more complete industrial software product system with the capability of building all-round intelligent factories. The total integration mode of intelligent manufacturing with MOM as the core has been formed, and the equipment manufacturing industry has the ability to promote it on a regular basis. The Company has signed contracts with TBEA (特變電工) and JIER Machine-Tool (濟南二機床) Structural Parts Intelligent Factory, and obtained 18 scientific and technological achievements at provincial and ministerial levels.

During the reporting period, Inspur Haiyue Intelligent State-owned Assets Supervision Platform, based on one centre and two platforms, launched three major applications and twelve intelligent scenarios to establish a new mode of dynamic, synergistic and intelligent state-owned assets supervision. It has provided state-owned assets supervision platform construction services for 16 provincial state-owned assets commissions, more than 80 prefectural and municipal state-owned assets commissions, and more than 30 central enterprises, ranking first in China in terms of market share, and providing protection for the construction of a large pattern of state-owned assets supervision and the formation of a unified system of state-owned assets supervision.

During the reporting period, Inspur Haiyue Intelligent Treasury focused on building a new generation of global treasury products, forming a new generation of global treasury product system with the integration of “treasury+financial services”, “inbound+outbound”, and a closed treasury risk loop. It realizes the unification of platform bases, and opens up nearly 80 synergistic processes such as account, settlement, planning, financing, foreign exchange, etc. It also possesses the ability of global fund management, supports 6 major multinational banks, and covers cross-border settlement in Hong Kong, Japan and Korea, Southeast Asia, Europe and America, etc. It supports the Group’s strategy and helps enterprises to build a first-class treasury management system. In conjunction with Ernst & Young, the Group published the “Strategic Value-based Global Treasurer White Paper”, which points out the direction for enterprises to improve the standard of treasury management. During the reporting period, the Group signed new projects with China Datang (中國大唐), China Rare Earths (中國稀土), Shougang (首鋼), Hubei Port (湖北港口), Shandong Port (山東港口), etc., and has undertaken the construction of treasury systems for 25 central enterprises, with the largest market share in the market for treasury of central enterprises and the largest number of excellent acceptance evaluations.

During the reporting period, inDataX6.0, the inDataX 6.0 data middle-platform of Inspur Haiyue, was launched, reaching international advanced technology standards, breaking through the lake and warehouse integration technology, realizing the data management capability from terabyte to petabyte, and reducing the synchronization frequency from hour to second. We have improved our data governance consulting and software project implementation capabilities, formed a full range of solutions covering six major industries and 15 business areas, including state-owned enterprises, ports, water, food, mines and energy, and created a number of sample clients, including Dongfang Electric (東方電氣), SINOGRAIN (中儲糧), Tianjin Energy (天津能源). The Company undertook the construction of the only data asset assessment laboratory in Shandong Province and published the first data asset assessment report in Shandong Province, which is the first of its kind in China.

During the reporting period, the supply chain product capability was significantly enhanced, focusing on solving pain points such as the integration of complex industrial properties in process industries and the support of mixed production modes in discrete industries. A number of sample customers were created in the process, discrete, equipment and construction industries, such as Luhua (魯花), Bohua(渤化), Enhua(恩華), China National Banknote (中鈔) and Guangzhou Railway(廣鐵), and the Group has already possessed the ability to promote its products on a large scale. The Company has innovated a new model of regional industrial Internet, building a supply chain platform for regional characteristic industrial chains with chain master enterprises as the core to realize regional industrial integration.

During the reporting period, Inspur Communications endeavoured to become a leading provider of integrated computing and network operation services, focusing on key technologies such as self-intelligent network, arithmetic network and digital life, and participated in the construction of 27 industry standards and 3 group standards, as well as the compilation of 10 industry white papers. The project “Low-carbon Arithmetic Scheduling and Convergence Application System”, in which Inspur Communications Information participated, won the First Prize of the First “Huacai Cup” Arithmetic Competition and the First Prize of the National Advanced Computing Technology Innovation Competition.

III. Internet of Things (IoT) Solutions Business

The Group’s IoT solutions business mainly covers smart food, smart mine and smart water. Inspur Haiyue’s intelligent Internet of Things platform, inIoT, strengthens its digital and intelligent capabilities, and has a leading IoT collection capability in China, which can satisfy the needs of centralized equipment control at the group level of large enterprises and full lifecycle management of subordinate units at the periphery of the equipment, and the platform has been widely used by large enterprises such as TBEA (特變電工), Guangzhou Water Supply(廣州自來水), SINOGRain (中儲糧), Shandong Energy (山東能源), and other customers.

The Internet of Things solutions business achieved revenue of RMB3,829,047,000, representing a year-on-year increase of 11.1% (2022: RMB3,447,275,000).

During the reporting period, Inspur Haiyue Intelligent Grain Products built a solution covering the entire grain industry chain of “production, purchase, storage, processing and marketing” based on the “grain data” to achieve comprehensive intelligent upgrading. The Group launched the Inspur Haiyue Intelligent Grain Storage Model to help grain enterprises achieve refined, autonomous and intelligent operation and management. The Group launched Inspur Haiyue Cloud Platform for Grain Supervision 6.0, which has been widely applied in intelligent grain supervision and intelligent grain storage projects. It upgraded the application model of “Cloud Application + Edge Computing”, and developed edge computing products such as the Warehouse and Storage All-in-One Machine to realize the operation and business management of grain warehouses in the cloud. It established the “Digital Agriculture and Cereals Joint Innovation Laboratory” to further promote technological innovation and transformation of achievements. The Company won bids for 11 provincial platforms in Heilongjiang, Shanghai, Fujian and Guizhou, and signed contracts for projects such as green warehousing of Luliang Group, Shaanxi Cereals and Agricultural Reserve Grain Supervision, Wuhan Digital Cereals, Fujian Purchasing and Marketing Platform, Guangdong Cereals Intelligent Storage and Zhuhai Central Warehouse Intelligent Storage, etc., and continued to rank first in the market share of intelligent grain, and was awarded the “2023 China Cereals and Oils Association First Prize for Science and Technology”.

During the reporting period, Inspur Haiyue’s intelligent waterworks products were expanded to include IOT platforms, data middle-platform, pipeline management, intelligent waterworks, intelligent water meters and other core waterworks business systems, with business covering 12 provinces, including Guangdong, Shandong, Tianjin, Hubei, Fujian, Shaanxi, Hebei, Hainan and Sichuan. The Group launched Inspur Haiyue Intelligent Water Service Cloud Platform 2.0, which realizes the digital management of the whole process of users, and won the First Prize of “New Model” at the International Digital Expo. It was elected as an executive director of China Association of Urban Water Supply and Drainage, further enhancing the status of the industry; It participated in the formulation of industry standards such as “Technical Guidelines for Intelligent Waterworks in Towns” and “Technical Standards for Intelligent Water Supplies in Towns” organised by the China Water Resources Association.

During the reporting period, Inspur Haiyue Intelligent Mines created more than 10 industrial products for the energy mining industry, including mine big data, equipment management and AI pre-warning. The Company further consolidated its industrial big data capability by signing big data projects with Shanxi Coking Coal (山西焦煤), Shenhua Coal&Power (神火煤電), Shanxi Coal International (山煤國際), Shandong Energy Group Material (山能物資公司), China Gold (中國黃金), Tunlan Coal Mine (屯蘭礦), etc. The Company also established a financial sharing platform with Shanxi Coking Coal, which was awarded as a benchmark project for state-owned enterprises in Shanxi Province, and established a “Cloud-Side Collaboration and Integration” data acquisition platform with Shandong Energy, which was selected as a demonstration project for the application of the Industrial Internet in Shandong Province. The project was selected as a demonstration project of industrial internet application in Shandong Province.

BUSINESS PLANNING

In 2024, empowered by digital intelligence and accelerated evolution and upgrading of the industry, the Group will continue to take the responsibility of promoting the software industry to become bigger and stronger, empowering the digital transformation of enterprises with high quality software products, further consolidating and expanding the market advantages of centralized state-owned enterprises, strengthening the development of SMEs’ market, making a good start for the overseas business, upgrading the organizational support capacity, escorting the Company’s high quality development, and striving to open up a new horizon for the development of a world-class software enterprise.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Group has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix C1 to the Main Board Listing Rules during the year ended 31 December 2023.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Main Board Listing Rules in relation to securities transactions by directors. Having made specific enquiry of all directors of the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the period ended 31 December 2023.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group, and is of the opinion that the preparation of such results complies with the applicable accounting standards and requirements and that adequate disclosures have been made.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following dates:

The register of members will be closed from 17 June 2024 to 20 June 2024 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 14 June 2024.

The register of members will be closed from 2 July 2024 to 5 July 2024 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 28 June 2024.

By Order of the Board
Inspur Digital Enterprise Technology Limited
Zhao Zhen
Chairman

Hong Kong, 28 March 2024

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