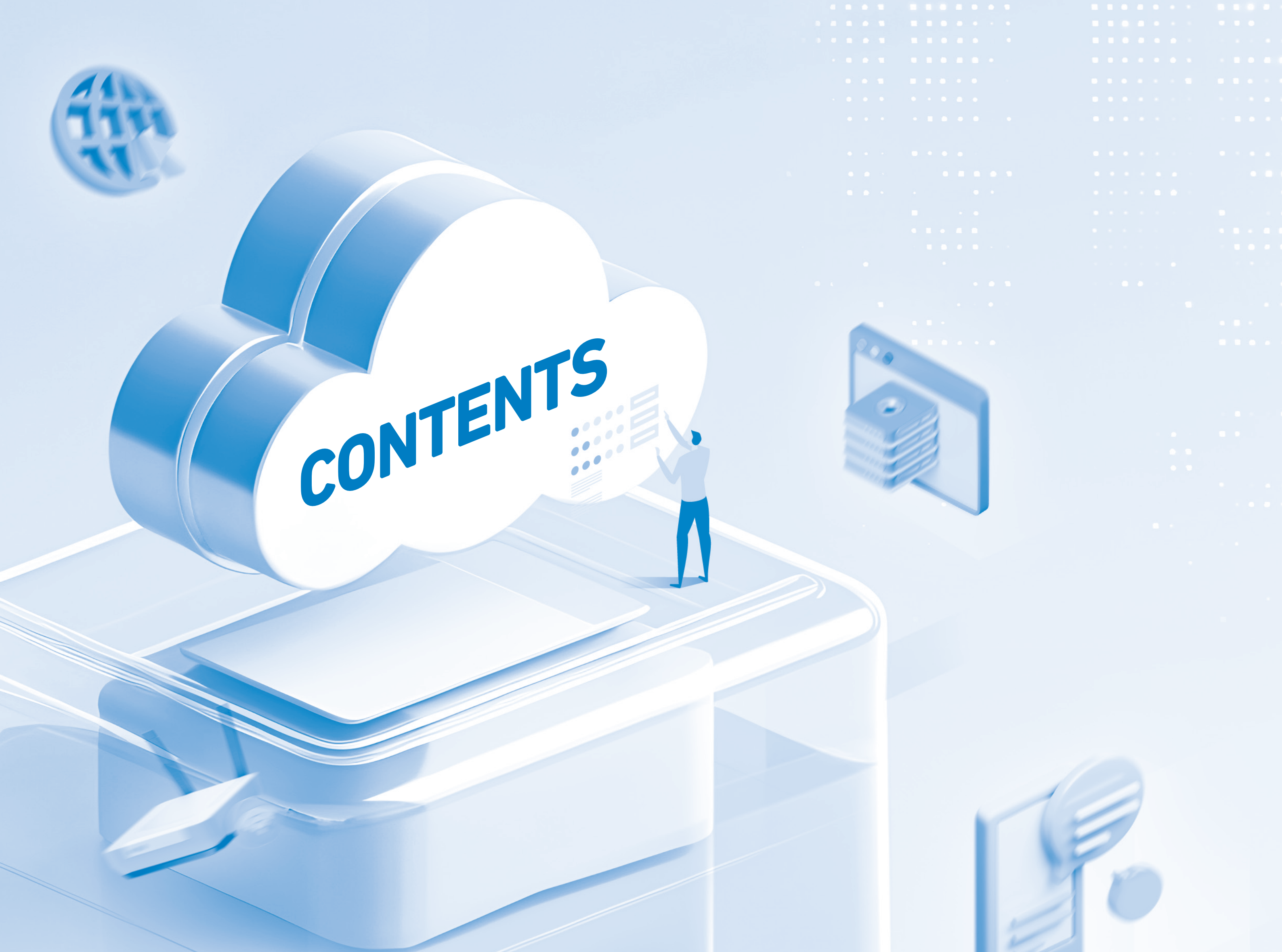
inspur 浪潮

浪潮數字企業技術有限公司

INSPUR DIGITAL ENTERPRISE TECHNOLOGY LIMITED

(於開曼群島註冊成立的有限公司)
(Incorporated in the Cayman Islands with limited liability)
(股份代號 Stock Code：596)

年度報告
2023
ANNUAL REPORT



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhao Zhen
Mr. Wang Yusen
Mr. Cui Hongzhi
Mr. Wang Xingshan*

* Mr. Wang Xingshan resigned on 1 February 2024 as an executive director.

NON-EXECUTIVE DIRECTOR

Ms. Li Chunxiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Lit Chor Alexis
Ms. Zhang Ruijun
Mr. Ding Xiangqian

COMPANY SECRETARY

Ms. Chan Wing
Mr. Zou Bo

AUDITORS

SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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MAIN BOARD STOCK CODE

596

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Inspur Digital Enterprise Technology Limited (the "Company"), I present the report on the results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2023.

FINANCIAL SUMMARY

During the reporting period, the Group's overall turnover was RMB8,294,446,000 (2022: RMB6,966,590,000), representing an increase of 19.1% as compared with last year. Profit attributable to shareholders for the year was approximately RMB201,630,000 (2022: profit of approximately RMB118,690,000). The significant increase in net profit for the period was mainly attributable to the following factors: 1) Management software segment operating profit increased to RMB377,781,000 (2022: RMB223,699,000) during the period, representing an increase of 68.9% as compared with the corresponding period last year, despite fierce market competition; 2) IoT and solutions revenue segment operating profit increased to RMB55,023,000 (2022: RMB49,154,000), representing an increase of 11.9% as compared with the corresponding period last year. The Company continued to develop its cloud services business and increased its investment in research and development of cloud services. Although the cloud services business maintained steady growth, it was still in a period of marketing and in a loss-making mode, and the operating loss of the cloud services business segment amounted to RMB56,201,000 (2022: loss of RMB133,257,000), representing a decrease of 57.8% as compared with last year.

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

BUSINESS REVIEW AND OUTLOOK

In 2023, the Group adhered to the 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 launched a new brand of Inspur Haiyue product, which is supported by the product systems of intelligent ERP, industrial software and PaaS platforms, and assisted in the transformation of enterprises into full-business digitisation through the digitalisation of operation management and digitalisation of production operation. The Group is committed to becoming a world-class enterprise software and cloud service provider. Currently, we have provided digital transformation services to 76 central enterprises, 186 of China's top 500 companies and over 1.2 million enterprises.

During the reporting period, the three major products were fully upgraded. The Group launched GSCloud6.0, the intelligent ERP for large-scale enterprises, Inspur Haiyue Industrial Software MOM6.0, Inspur Haiyue PaaS Platform iGIX6.0, and Inspur Haiyue large model inGPT, to create a new service model of automation and intelligence. We have increased our efforts in technological innovation, and many of our technologies, such as flexible assembly, have reached the international advanced level, and our technology and product competitiveness have continued to leap.

CHAIRMAN'S STATEMENT

During the reporting period, the Group deepened its management digitisation to consolidate its advantage in the high-end market. Around the hotspots of management digitisation such as group control, state-owned assets supervision, financial sharing and treasury management system construction, we established cooperation with the headquarters of central enterprises such as China Rare Earths(中國稀土), China Huadian(中國華電), China Datang (中國大唐), Shiyou Guanwang(石油管網), China Minghang Zixun(中國民航資訊), State Power Investment Corporation(國家電力投資), China Machinery Industry(中國機械工業), China Aviation Equipment(中國航空器材), China Mineral Resources(中國礦產資源), etc. Meanwhile, we have further explored the digital transformation needs of large and medium-sized group enterprises, and deepened our cooperation with central enterprises such as China Grain Reserves Group(中儲糧集團),China Tower (中國鐵塔), China Haotong(中國通號),China Salt(中國鹽業),China Yichao(中國印鈔), as well as with large and medium-sized group enterprises such as Beijing Energy Group(京能集團),Shanghai Airport(上海機場), Guangzhou Water Supply(廣州市自來水), Shandong Energy (山東能源), Luliang Group(魯糧集團), KWEICHOW MOUTAI(貴州茅台), Beijing Tongrentang(北京同仁堂). We have also deepened the digitalisation of industries, promoted the digital transformation of the whole business, and achieved excellent results in the smart food, smart water, smart mine and other industries.

During the reporting period, the Company was widely recognised by the industry and its influence continued to expand, ranking first in China's group management software market share (CCID), first in China's PaaS and aPaaS market leader camp, first in aPaaS development capability (CCID), and first in user satisfaction (CCW Research).

In 2024, the Company will continue to increase investment in R&D, improve technological innovation, and build Inspur Haiyue Software into a world-class enterprise software. We will adhere to the customer-centred approach, expand the Company's development with market innovation, focus on the digitalisation of management and production, further consolidate and expand the market advantages of centralised state-owned enterprises, strengthen the development of SMEs, make a good start in overseas business. We will also enhance our organisational support capacity, escort the Company's high-quality development, and strive to open up new horizons for the development of a world-class software enterprise.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere gratitude to our shareholders for the continuous support. I would also like to thank all the staffs for their valuable contributions to the Group during the past year.

Zhao Zhen
Chairman

Jinan, 28 March 2024

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 recognizsed 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 lauched 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), Shenhuo 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Mr. Wang Xingshan, aged 59, graduated in Xi'an Jiaotong University, is the expert in special government grants from the State Council, a leader talent of Taishan Indutry (泰山產業), expert in the field of an advanced manufacturing technology of the Ministry of Science and Technology, consulting expert in management accounting of the Ministry of Finance and Vice President of China Association Of Chief Accountants.

Mr. Wang has attained over 30 years' experience in the software and IT service industry. He proposed the concepts such as "Group Finance" and "Industry-Specific ERP" for the first time in China, and committed to promote the Chinese enterprise management innovation and model transformation with information technology. He published works such as "Enterprise Evolution in Digital Transformation", "Intensive Management of Group Enterprises", and "Enterprise Big Data under Industry 4.0" etc.

As project leader, he presided over the national key R&D programs: "Transformative technology key scientific Issues" project and "software auto-construction for smart manufacturing" project, and numerous national-level projects including major infrastructural software projects and 863 plans: "Manufacturing Business Intelligent Technology and Product Development", "Intensive Operation Management Platform R&D and Application for Group Enterprises" etc. Mr. Wang resigned as the Chairman of the Board of the Company with effect from 1 February 2024.

Mr. Zhao Zhen, aged 49, is the chairman of the Board, and holds a Bachelor's degree in economics from Shandong University* (山東大學) and a Master of Business Administration from Tianjin University* (天津大學). He has worked in Inspur Group Limited* (浪潮集團有限公司) and its subsidiaries (together, the "Inspur Group") for over 26 years. Mr. Zhao has more than 26 years of extensive experience in human resources management. Mr. Zhao is currently the senior vice president* (高級副總裁) and director of Inspur Software Technology Company Limited* (浪潮軟件科技有限公司). In 2020, Mr. Zhao was awarded "Outstanding Enterprise Award for Enterprise Human Resources Development and Management"* (企業人力資源開發與管理優秀企業獎) by Human Resources Development of China (中國人力資源研究會). Mr. Zhao has been serving as the Chairman of the Board of Directors of our company since February 1, 2024.

Mr. Cui Hong Zhi, aged 49, graduated from Renmin University of China (中國人民大學) with a master's degree in business administration. Mr. Cui previously served Inspur Communication Information System Co., Ltd* (浪潮通信信息系統有限公司) as the assistant to the general manager (總經理助理) and head of the enterprise management department (企業管理部部長), as well as the deputy general manager (副總經理) and the head of the enterprise management department (企業管理部部長). Mr. Cui also served as the deputy general manager (副總經理), human resources director (人力資源總監) and enterprise management center general manager (企業管理中心總經理) of Inspur Software Group Co., Ltd* (浪潮軟件集團有限公司). Currently, Mr. Cui is the Chairman (董事長) and General Manager of Inspur Communication Information System Co., Ltd* (浪潮通信信息系統有限公司).

Mr. Wang Yusen, aged 40, is a senior accountant and Executive Director, CFO. He graduated from Shandong University and obtained his bachelor's degree in management in 2006. Mr. Wang served Inspur Group Limited as the manager of the accounting department at the finance center, and as the deputy manager of the fund management department. He was also the director, deputy general manager and the chief risk management officer of Inspur Group Finance Co., Ltd. Currently, Mr. Wang is the deputy general manager and chief financial officer of Inspur Genersoft Co., Ltd..

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Li Chunxiang, aged 47, is a non-excutive Director graduated from Qingdao University (青島大學) in 1997 with a bachelor's degree in computer and application. Ms. Li previously served as the deputy manager of the software development department (軟件開發部副經理) of Inspur Software Co., Ltd* (浪潮軟件股份有限公司). Ms. Li previously served as the project manager of the information management department (信息管理部項目經理) of Inspur (Beijing) Electronic Information Industry Co., Ltd.* (浪潮(北京)電子信息產業有限公司), the manager of the information management center operations and supply chain information division (信息管理中心運營及供應鏈信息化處經理) of the Inspur Group Co., Ltd.* (浪潮集團有限公司) and the deputy general manager of the information management center (信息管理中心副總經理) of Inspur Group. Currently, Ms. Li serves as the head of the information technology security department (信息技術保障部部長) of Inspur Group Co., Ltd.* (浪潮集團有限公司).

Mr. Wong Lit Chor, Alexis, aged 65, an independent non-executive Director, graduated from University of Toronto, Canada, in 1981 with Bachelor of Arts majoring in economics and commerce and has obtained a master of business administration degree from The Chinese University of Hong Kong in 1987. He has over 30 years of banking, investment, corporate finance and securities dealing experience gained by working as a senior executive in a number of listed local and PRC financial services companies.

Ms. Zhang Ruijun, aged 62, an independent non-executive Director, graduated from the School of Business of Renmin University of China with a PhD degree in management studies in 2002. Ms. Zhang is currently a Professor of Finance and a doctoral supervisor in the School of Business of Renmin University of China, and she is engaged in research on IT and Management Integrations of Enterprise Group Control Strategy, Enterprise Group Fund Management and Financial Resources, and Enterprise Risk Management. Several research papers of Ms. Zhang have been published in academic journals in PRC during the recent years, such as Management World (《管理世界》), Accounting Research (《會計研究》), China Soft Science (《中國軟科學》), Finance & Accounting (《財務與會計》), and Economic Theory and Business Management (《經濟理論與經濟管理》).

Mr. Ding Xiangqian, age 62, is currently a doctoral supervisor and a chief manager at Ocean University of China (中國海洋大學). Mr. Ding had previously worked as chief manager of the CAD and Multi-media Research Centre* (CAD與多媒體研究中心) and the Information Engineering Centre* (信息工程中心) at Ocean University of China, chief manager of academic committee of the Qingdao Internet of Things Association (青島市物聯網協會學術委員會), head of Qingdao Manufacturing Industry Informatization Expert Panel* (青島市製造業信息化專家組), expert for informatization of Qingdao Development Reform Committee* (青島市發改委), Qingdao Technology Bureau* (青島市科技局), Qingdao Economic Information Committee* (青島市經信委) etc. Mr. Ding focuses his research on areas such as software engineering and artificial intelligence, etc. Mr. Ding is very experienced in the area of entrepreneurial informatization service and modern service industry technology. At the same time, Mr. Ding is also an expert of the Key Technology Research and Development Program of the Twelfth Five-Year Expert Panel* ("十二五"科技支撐計劃現代服務業領域總體專家組) and a member of the Informatization of Advanced Manufacturing in Technology Expert Panel* (科技部"十二五"製造業信息化科技工程總體專家組). He had held and participated in over 50 national and provincial lectures, participated in over 30 informatization building projects in large enterprises and has received and obtained 9 provincial technology award and 21 national patent rights. Mr. Ding has also published over 60 academic articles of relevant areas and 3 monographs.

SENIOR MANAGEMENT

Mr. Wei Daisen, aged 52, General Manager of the Company. He obtained a master's degree in software engineering in Shandong University. Young and middle-aged experts with outstanding contributions in Shandong Province, experts from the Accounting Informatization Standards and Technical Committee of the Ministry of Finance, members of the Accounting Informatization Professional Committee of the Chinese Accounting Society, and the first leader in intelligent finance. Mr. Wei has served as the Deputy General Manager of the Financial Products Department, General Manager of the Financial ERP Business Unit, General Manager of the GS Product Department, and General Manager of the Regional Business Headquarters of our wholly-owned subsidiary, Inspur General Software Co., Ltd. Mr. Wei currently holds positions as a director or general manager in several member companies of our group.

Ms. Chan Wing, aged 53, company secretary of the Company. She is a fellow member of The Hong Kong Institute of Certified Public Accountants, a member of ICAEW and the Chinese Institute of Certified Public Accountants respectively. Ms Chan joined the Group in 2008.

Mr. Zoubo, aged 45, is the authorised representative and joint company secretary. Mr. Zou was graduated from Huazhong University of Science and Technology with a bachelor degree in management and law in 2001. Mr. Zou joined the Group in 2006.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2023.

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholders' value and investors' confidence.

The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal control.

The Company has adopted and complied with the principles set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 (for Main Board) of the Listing Rules. In the opinion of the Board, the Company has complied with all the code provision set out in the CG Code throughout the year ended 31 December 2023.

THE BOARD

I. the responsibilities of the Board

The Board is the core of corporate governance of the Company. Its major responsibilities are as follows:

(1) to convene general meetings, report to shareholders and implement the resolutions of general meetings;

(2) to review and approve critical projects, such as investment and acquisition, issuance and repurchase of securities, etc;

(3) to review the Company's compliance with the CG Code and disclosure in this report;

(4) to review and approve the Share Option Scheme and other Incentive Scheme;

(5) formulating the profit distribution schemes and loss remedy plans of the Company;

(6) formulating the plans for increasing or decreasing registered capital and the issuance of corporate bonds or other securities as well as the listing scheme of the Company;

(7) deciding on the structure scheme of the special committees of the Board, appointing or dismissing the chairman (convener) of special committees of the Board.

The Board will continue to enhance the corporate governance standards and practices of the Company as benefiting the conduct and growth of its business and to regularly review such standards and practices to ensure that they comply with statutory and professional standards and align with the latest developments.

II. Composition of the Board

Now the Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Zhao Zhen (Chairman of the Board) [*1]
Mr. Wang Xingshan (Chairman of the Board) [*1]
Mr. Wang Yusen
Mr. Cui Hongzhi

[*1] Mr. Wang Xingshan resigned as executive director (Chairman of the Board) on Feb 1, 2024 and Mr. Zhao Zhen was appointed as executive director (Chairman of the Board) on Feb 1, 2024.

Non-executive Directors

Ms. Li Chunxiang

Independent non-executive Directors

Mr. Wong Lit Chor, Alexis
Ms. Zhang Ruijun
Mr. Ding Xiangqian

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out in Directors and Senior Management Profile section to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

Throughout the reporting period, the number of independent non-executive Directors exceeds one-third of the Board. The Company has received annual confirmation of independence from the three Independent Non-Executive Directors in accordance with Rule 3.13 of the Main Board Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-Executive Directors are independent within the definition of the Listing Rules.

According to the Articles of Association, each Director shall retire by rotation at least once every three years and all the retiring Directors are eligible for re-election at the AGM in that year. At the AGM, three Directors, namely Mr. Zhao Zhen, Ms. Li Chunxiang and Ms. Zhang Ruijun shall be retired by rotation and be eligible for re-election.

III. Board Meeting/General Meeting

For the year ended 31 December 2023, the Company convened seven Board meetings and a General Meeting. The following table shows the details of Directors' attendance:

Directors	Attendance/number of Meetings	
	Board Meetings	General Meeting
Mr. Wang Xingshan	7/7	1/1
Mr. Wong Lit Chor, Alexis	7/7	1/1
Ms. Zhang Ruijun	4/7	1/1
Mr. Ding Xiangqian	6/7	1/1
Mr. Wang Yusen	7/7	1/1
Mr. Cui Hongzhi	7/7	1/1
Ms. Li Chunxiang	4/7	1/1

Directors were given sufficient notice of Board meetings in accordance with the Listing Rules and the Articles of Association. Directors were consulted in advance regarding the agenda of Board meetings. For all other Board meetings, reasonable notices were given. The agenda and other relevant, complete and reliable accompanying materials were sent to the Directors at least three days before each meeting. Each Director is aware of his/her obligation to allocate adequate time to deal with the Company's affairs.

At the meetings of the Board held during the year ended 31 December 2023, the matters dealt with by the Directors include but not limited to the following: formulating the overall development strategy of the Company, considering and approving the Company's 2022 annual report and the 2023 interim report, considering and approving the major matters such as subsidiary equity adjustments and auditor changes. The secretary of the Board has recorded the proceedings of each Board meeting by keeping detailed minutes, including all decisions made by the Board together with concerns raised and dissenting views expressed (if any) by the Directors. All minutes are kept by the secretariat of the Board and any relevant files including the agenda, documents and minutes are open for any Directors' inspection.

Directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request independent professional advice in appreciate circumstances at the Company's expense, upon reasonable request made to the Board.

IV. Continuous professional development of directors

(1) Every newly appointed director was given a comprehensive, formal and tailored induction training to ensure that he is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements. The Company has provided all Directors with documents and information aiming at developing and refreshing their professional knowledge and skills, together with other information (including monthly updates) on the development of business, operation, activities and corporate governance of the Company from time to time to assist them to fulfill their responsibilities.

All directors were encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records provided by the Directors, the Directors received the following training during the year 2023:

Directors	Corporate Governance, regulatory development other relevant topics	Monthly report
Mr. Wang Xingshan	✓	✓
Mr. Wong Lit Chor, Alexis	✓	✓
Ms. Zhang Ruijun	✓	✓
Mr. Ding Xiangqian	✓	✓
Mr. Wang Yusen	✓	✓
Mr. Cui Hongzhi	✓	✓
Ms. Li Chunxiang	✓	✓

(2) When Directors are asked to express their views on the Company's connected transactions (if any), incentive schemes, internal controls, etc., the Company retains auditors, financial advisers and/or lawyers and other relevant independent professionals to provide independent professional advice to assist the Directors in fulfilling their responsibilities.

(3) With regard to insurance cover in respect of possible legal actions against the Directors when performing their duties, the Board had entered into a "Corporate Liability Insurance" with AIG Insurance Hong Kong Limited.

BOARD COMMITTEES

The Board has set up three specialized committees, namely the audit committee, the remuneration committee and the nomination committee to oversee particular aspects of the Company's affairs. The compositions of these committees are set out below.:

Audit Committee

As at 31 December 2023, the audit committee of the Company comprised three independent non-executive Directors, namely Mr. Wong Lit Chor, Alexis (chairman), Ms. Zhang Ruijun and Mr. Ding Xiangqian.

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system, risk management systems and internal control procedures, which include:

Relationship with the Company's auditors

(1) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(3) to act as the key representative body for overseeing the Company's relations with external auditor;

(4) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

(5) to monitor integrity of the Company's financial statements and annual report and accounts, half-year reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

- (i) any changes in accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments resulting from audit;
- (iv) the going concern assumptions and any qualifications;
- (v) compliance with accounting standards; and
- (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(6) Regarding (5) above:-

(i) Members should liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, it must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function or auditors;

Oversight of the Company's financial reporting system, risk management and internal control systems

(7) to review the Company's financial controls, and to review the Company's risk management and internal control systems;

(8) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(9) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(10) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(11) to review the group's financial and accounting policies and practices;

(12) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;

(13) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(14) to report to the Board on the matters in these Terms of Reference;

(15) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action; and

(16) to consider other topics, as defined by the Board;

Please refer to the Terms of Reference and Modus Operandi of the Audit Committee published on the websites of the Stock Exchange and the Company for further details on the roles and functions of the Audit Committee.

During the financial year ended 31 December 2023, the Audit Committee held three meetings, at which the Audit Committee:

(1) considered the Company's annual financial report and internal control report for the year 2022, and submitted them to the Board for approval;

(2) considered the Company's interim financial report of 2023, and submitted it to the Board for approval;

(3) considered the change of the Company's auditor, and submitted it to the Board for approval.

Details of attendance at the Audit Committee meetings during year 2023 are set out below:

Audit Committee Members	Attendance/ number of Meetings
Mr. Wong Lit Chor, Alexis (Chairman)	3/3
Ms. Zhang Ruijun	2/3
Mr. Ding Xiangqian	3/3

REMUNERATION COMMITTEE

As at 31 December 2023, the remuneration committee of the Company comprised one non-executive Director, namely Ms. Li Chun Xiang and two independent non-executive Directors, namely Mr. Wong Lit Chor, Alexis (Chairman) and Ms. Zhang Ruijun.

The major roles and functions of the Remuneration Committee are as follows:

(1) make recommendations to the Board on the policy and structure for the remuneration of the Directors and senior management, and to consider and approve remuneration for the directors and senior management by reference to corporate goals and objectives. The committee shall meet at least once a year if necessary;

(2) as authorized by the Board, draw up proposals for and make recommendations to the Board on the remuneration of directors, and salary of individual executive directors and senior management;

(3) examining the proposed remunerations to the management according to the corporate goals and objectives developed by the Board from time to time;

(4) examining the performance of duties of the Directors and senior management of the Company and to appraise their annual performance;

(5) supervising the implementation of the remuneration system of the Company;

(6) other matters authorized by the Board.

During the financial year ended 31 December 2023, the Remuneration Committee held one meeting to discuss the grant of share options under the company's stock option plan.

Details of attendance at the Remuneration Committee meetings during year 2023 are set out below:

Remuneration Committee Members	Attendance/ number of Meetings
Ms. Li Chun Xiang	1/1
Mr. Wong Lit Chor, Alexis (Chairman)	1/1
Ms. Zhang Ruijun	1/1

NOMINATION COMMITTEE

The Board has established a Nomination Committee. As at 31 December 2023, the committee consists of one Executive Director, Mr. Wang Xingshan (Chairman), with two Independent Non-Executive Directors, Ms. Zhang Ruijun and Mr. Wong Lit Chor, Alexis.

The major functions and authority of the Nomination Committee are as follows:

(1) The Nomination Committee is appointed by the Board to, having regard to the nomination policy and board diversity policy of the Company, make recommendations to the Board so as to ensure that all nominations are fair and transparent.

(2) The Nomination Committee is authorized by the Board to make full use of internal resources and intermediary agencies for identifying qualified director candidates at the Company's expense.

(3) The Nomination Committee is authorized by the Board to conduct interviews with prospective candidates for nomination.

(4) The Nomination Committee is authorized by the Board where necessary to seek independent professional advice.

(5) The Nomination Committee shall be provided with sufficient resources to discharge its duties.

Please refer to the Terms of Reference and Mode of Operation of the Nomination Committee published on the websites of the Stock Exchange and the Company for further details on the roles and functions of the Nomination Committee.

Details of attendance at the Nomination Committee meetings during the year 2023 are set out below:

Nomination Committee Members	Attendance/ number of Meetings
Mr. Wang Xingshan (Chairman)	1/1
Mr. Wong Lit Chor, Alexis	1/1
Ms. Zhang Ruijun	1/1

CHAIRMAN AND PRESIDENT

To ensure a balance of power and authority, the role of the Chairman is separated from that of the Chief Executive Officer. Currently, the Chairman and the Chief Executive Officer of the Company are Mr. Wang Xingshan and Mr. Wei Daisen respectively. The Chairman is responsible for the leadership of the Board, ensuring the effectiveness of the Board in all aspects of its role and for setting its agenda and taking into account any matters proposed by other Directors for inclusion in the agenda. The Chairman is also responsible for making sure all Directors are properly briefed on issues arising at Board meetings. The Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The Board also comprises Independent Non-Executive Directors who bring strong independent judgment, knowledge and experience to the Board. As noted above, all the Audit Committee members are Independent Non-Executive Directors. This structure is to ensure a sufficient balance of power and authority in place within the Group.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer. The Directors are continually updated with legal and regulatory developments, business and market changes and the strategic developments of the Group to facilitate the discharge of their responsibilities.

The Independent Non-Executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of various board committees and scrutinize the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") set out in Appendix 10 of Main Board Listing Rule as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code throughout the period ended 31 December 2023.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, an agenda and the accompanying board papers are sent in full to all Directors at least 3 days before the intended date of a meeting. Board papers are circulated to the Directors to ensure they have adequate information before the meeting for the ad hoc projects.

The Management has the obligation to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is volunteered by the Management, each director has separate and independent access to the issuer's senior management to make further enquires if necessary.

All Directors are entitled to have unlimited access to the board papers and relevant materials. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board, led by the Chairman, is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various authority and duties set out in their respective terms of reference. All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board has delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control system.

BOARD DIVERSITY POLICY

The Board adopts the following board diversity policy:

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Board performed the following corporate governance matters:

- review of the corporate governance duties under the CG Code; and
- review of the compliance with the CG Code.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements are met and applicable accounting standards are complied with. The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the reporting period, no amendment had been made to the Articles of Association.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the Company's auditors, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fee paid/ Payable RMB'000
Audit services	2,060

INVESTOR RELATIONS

The Company is committed to maintaining good relations with investors. The Company has set up a specialized department with staff to attend to investor relations affairs. The Company actively participates in various investor forums physically or via conference calls, provides investors with the information necessary for them to form their views on the Company's performance and reports investors' feedback to management in a timely manner in order to improve operations and corporate governance of the Company. To promote transparency, the Company has announced its operating performance to shareholders and other stakeholders. These disclosures include: (1) publishing interim and annual reports; (2) holding performance conferences; (3) making press releases; (4) meeting regularly with investors; (5) publishing analysts' reports on the Company; and (6) conducting market consultations.

The Company issues annual report and interim report and dispatches them to the Shareholders. The Company also publishes its announcements, circulars and other information on the website of Hong Kong Stock Exchange (www.hkexnews.hk). To provide more effective channels of communication, the Company updates its website from time to time and releases corporate information on its website when appropriate.

JOINT COMPANY SECRETARIES

Ms. Chan Wing and Mr. Zou Bo were appointed as joint company secretaries of the Company. During the Reporting Period, Ms. Chan Wing and Mr. Zou Bo have attended relevant professional trainings.

DIVIDEND POLICY

In compliance with code provision E.1.5 of the CG Code. it is the policy of the Company, in considering the payments of dividends, to allow shareholders of the Company to participate in the Company's profits, while also ensuring that adequate reserves are retained for future prospects of the Group.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

- the general financial condition of the Group;
- the Group's actual and future operations and liquidity position;
- the Group's expected working capital requirements and future expansion plans;
- the Group's debt to equity ratios and the debt level;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the retained earnings and distributable reserves of the Company and each of the members of the Group;
- the shareholders' and the investors' expectation and industry's norm;
- the general market conditions; and
- any other factors that the Board deems appropriate.

Any declaration and payment of dividend shall remain to be determined at the discretion of the Board and subject to the compliance with all applicable laws and regulations and the Company's Articles of Association. The Company will from time to time review the Dividend Policy and may exercise at its absolute and sole discretion to update, amend and/or modify the Dividend Policy at any time as the Board deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any specific reporting period.

COMMUNICATIONS WITH SHAREHOLDERS

The Company's annual general meeting provides a good opportunity for communication between the Board and the Company's shareholders. Chairman of the Board and Committees are normally present to answer queries raised by shareholders. External auditors also attend the annual general meeting every year. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days before the meeting.

VOTING BY POLL

At the 2023 annual general meeting, the procedures for demanding a poll by the shareholders were incorporated in an annual general meeting circular. The procedures for demanding a poll by shareholders and for conducting a poll were also explained by the chairman at the annual general meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board believes that good corporate governance is the cornerstone of the Company's long-term development and a sound risk management and internal control system is an essential element of corporate governance. The Board is responsible for ensuring that the Company establishes and maintains an appropriate and effective risk management and internal control system to safeguard the interests of shareholders. During the year, the Company continued to engage external consultants to assist in the optimisation of the risk management system with a view to enhancing the Company's corporate governance standard.

RISK MANAGEMENT STRUCTURE

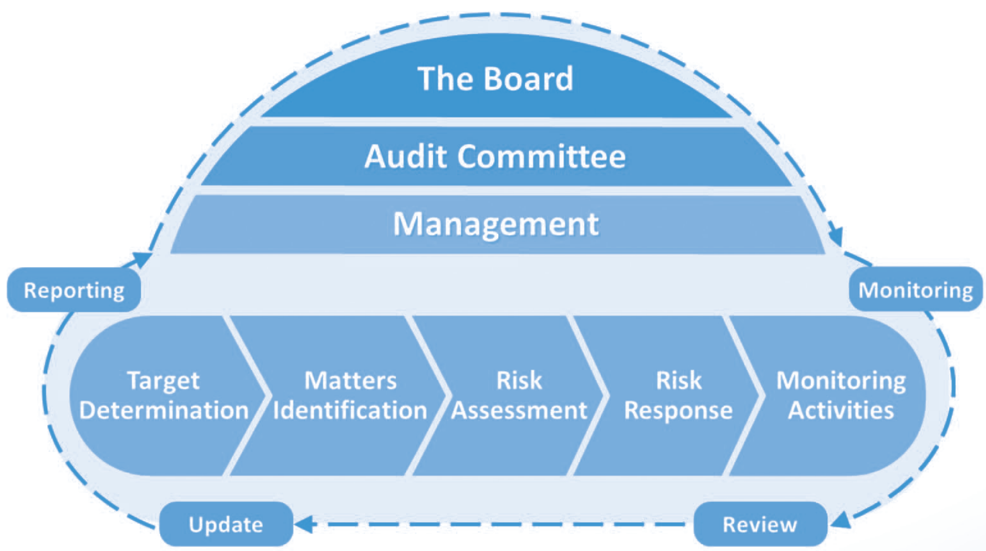
The Company's risk management structure is based on a "three lines of defence" model. The three lines of defence are daily operations and controls, ongoing risk management activities and independent monitoring of internal control activities, each of which is functionally interlinked. The key internal control processes of each operating department are clearly guided by a series of policies and procedures that make reference to elements of governance, risk management and compliance. The Company regularly reviews and updates its policies and procedures and provides relevant training to staff to ensure their effectiveness.

The Company's key policies and procedures include the Whistleblowing Policy, the Policy on Handling of Internal Data and Information, Connected Transactions and the policies and procedures for the operation of each department and function, which provide daily operational guidance as required under the Corporate Governance Structure.

RISK MANAGEMENT SYSTEM

With reference to the globally recognised risk management framework COSO (The Committee of Sponsoring Organisations of the Treadway Commission) and ISO 31000, the Company's risk management system includes goal setting, risk identification, risk assessment, risk response and risk monitoring activities. The risk identification and risk assessment process also incorporates both top-down and bottom-up approaches to provide comprehensive analyses from both management and operational perspectives. In addition, the system is not a standalone system and is integrated with the existing internal control system. Market information is regularly discussed and exchanged between the management of different functions and business departments, and changes such as changes in the operating environment due to anti-pandemic measures or emerging risks in the market are communicated and appropriately responded to in a timely manner. The Company's risk management and internal control system is designed to manage and minimise the impact of identified key risks on the Group rather than eliminating the impact of all risks on the Group.

The key elements of the Company's risk management system are as follows:



Through the risk register, risk assessment questionnaires and workshops, the Company encourages each department to identify, analyse and assess the probability of occurrence of each risk item and the extent of its impact on the Company in financial, operational, compliance and environmental areas, and to regularly discuss the adequacy and effectiveness of the existing countermeasures and control activities for the risk item. During the year, the Company conducted a thematic questionnaire assessment and review of the Company's environmental, social and corporate governance risks and their control systems in accordance with the requirements of Appendix 27 of the Listing Rules. Risks identified by each department were analysed and consolidated by a consultancy firm, resulting in significant risks, changes in risks and their control procedures, which were discussed and confirmed by the management and reported to the Audit Committee. The risks identified by the Company can be classified into 10 categories, which are disclosed in detail on pages 31 to 44 of this report.

The Company has clearly defined the responsibilities and functions of the Board, management, operating departments and internal audit. The Board has appointed the Audit Committee to monitor the effectiveness of the Company's risk management and internal control system on an ongoing basis. The Audit Committee discusses the contents of the reports submitted by the management, discusses and approves the nature and level of risks that the Company is willing to accept in order to achieve its strategic goals, reviews the adequacy and effectiveness of the existing control and risk management system and considers whether any further improvements are required. The management ensures that adequate resources are available to support the implementation of the decisions of the Board and the Audit Committee and confirms to the Board the effectiveness of the risk management and internal control systems. During the year, the above risk management and internal controls were properly completed and the Board and the management confirmed the effectiveness of the design, implementation and monitoring of the relevant systems.

INTERNAL CONTROL

The internal audit department conducts an independent examination and review of the Company's major risk controls and supervisory procedures annually in accordance with the annual audit project plan approved by the Audit Committee, and reports the results and recommendations for improvement to the Audit Committee on a regular basis.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board of Directors, through the Audit Committee, receives confirmation from the management on the effectiveness of the design, implementation and monitoring of the Company's risk management and internal control systems. As with other systems, the system adopted by the Company can only provide reasonable but not absolute assurance against material misstatement or loss. The Company will continue to maintain a sound and effective system of risk management and internal control in order to achieve the Company's long-term strategic goals.

IMPORTANT RISK AND CHANGE IN THE COMPANY

During the year, the Company had identified and assessed different risk items and evaluated the effectiveness of its control and monitoring mechanisms in 10 different categories. They are detailed in the table below:

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Finance, Economy and Politics	Due to changes in the economic, financial and political environment in the Chinese Mainland and Hong Kong, the financial performance of the Company had been affected.	— Strengthen awareness of online public opinion, establish a media communication mechanism, arrangge specialised personnel to inspect mainstream social networking sites, respond to and improve issues in a timely manner, and form a standing mechanism that does not involve sensitive topics such as politics/pornography — Develop cash flow forecasts based on capital expenditure budgets and actively manage cash flow to meet debt obligations on schedule — Review financial statements on a monthly basis and follow strictly the financial system for billing purposes — Regularly review the effectiveness of operating strategies, objectives and plans, forecast and understand market trends, and respond to changes in the general economic environment — Maintain good relationship with banks, regularly review the terms of bank financing and ensure that the Group's financial position is in compliance with the terms thereof — Identify more suppliers in different locations, agree on order prices for a certain period of time, and share the supplier database among all departments	low to medium	←→ The economies of Chinese Mainland and Hong Kong were gradually improving as the pandemic stabilised, but there was still some uncertainty in the business environment, so the overall risk level was broadly stable.

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
		— Standardise the bidding process management and strengthen the process management of major projects — Enhance channel sales and management system construction, and utilise the diversity of sales channels to increase sales — Enhance daily audits and training — Identify malicious smearing issues, focus on prevention of such issues, establish a mechanism for handling public relations issues, and continuously learn from the experience of the industry — Reduce the use of foreign currency transactions and, if necessary, hedge foreign currency transactions (e.g. borrowing/repaying foreign currency debt and buying/selling foreign currency assets to earn foreign currency returns). — All sales account hedges must be approved and supported by adequate documentation — Have a professional team responsible for the operation work and to collect market research and analysis to understand the market dynamics of competitors and formulate operation planning — Provide professional property valuers with a summary of existing leases, potential leases and capital expenditure to mitigate the risk of undervaluing properties in the preparation of interim and year-end statements — The Securities Department closely monitors the market value of the investment portfolio and reports to the management on a regular basis — Develop crisis management mechanism at the corporate level — Formulate sales refund approval procedures		

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Employees	The Company regards its employees as valuable assets. Failure to pay effective attention to health and safety issues or to offer competitive remuneration packages will result in a failure to retain key employees, which in turn will affect the quality of the products and services provided by the Company.	— Establish the company's employment policy to ensure compliance with relevant legal requirements — Improve the staff training mechanism, including staff training, staff communication, team building and career planning, etc. — Formulate a comprehensive performance evaluation system, such as an equity incentive mechanism. — Provide employees with favourable benefits — Pay attention to the physical and mental health of employees and provide health and safety management programmes, such as regular disinfection of the workplace, regular medical check-ups, attention to the overtime market, appropriate leave adjustments, and the provision of employee insurance — Formulate internal mobility policy to give employees more room for growth.	low	↓ The health and safety-related risks to employees were gradually minimising as the pandemic came to an end, with a corresponding reduction in the overall staff risk level.

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Customers and Products	The Company is committed to providing customers with quality products and services to support their operational needs. Failure to fully understand customers' needs or mishandling of customers' enquiries/complaints will have a direct impact on the Company's revenue and long-term development.	— Enhance the research of customer requirements, assess customer needs and confirm them in writing, and clearly state the necessary items in the contract — Work closely with Project Management Department — Strictly formulate customer service system, including customer return visit, customer complaint handling, customer satisfaction survey, customer service specification, etc. — Provide adequate service training, such as one-on-one guidance for staff on joining the organisation and skills certification for service personnel, to enhance the business capability of staff — Enhance knowledge base management and enrich the content of the knowledge base — Strengthen customer service awareness, increase customer service staffing, assess the reasonableness of customer complaints, and optimise and improve products in response to reasonable complaints — Enhance product quality and test products before delivery — Establish and implement AB backup system and rotation system	low	↓ During the year, the customer handling and service management mechanism was improved, and medium-risk items were improved, with a corresponding decrease in the risk level.

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Supplier Performance	Lack of supplier performance management and association with questionable suppliers leads to reputational and financial damage. Failure to comply with local legal and regulatory requirements for overseas operations or newly implemented laws and regulations can lead to reputational and financial losses for the Company.	— Improve the goods receiving management, with dedicated staff responsible for goods receiving, strictly checking the goods according to the specifications of the purchase order and the contract, and signing on the goods receiving order to certify the correct quality and quantity — Establish supplier assessment mechanism, strengthen the qualification audit and annual evaluation of suppliers, and closely monitor the performance of suppliers on an ongoing basis; identify single suppliers for focused identification and monitoring — Improve the company's tendering mechanism, improve the relevant tendering policy, tender documents clearly stipulate the requirements of suppliers and consultants regarding the products — Pay suppliers in instalments according to the implementation progress, and hold the payment until the completion of the work in good condition — Enhance the delivery capability training for suppliers. — Establish a registration process for qualified suppliers/consultants. All suppliers are required to go through a pre-qualification process, including the provision of relevant licences and proof of quality standards — Continuously monitor the performance of suppliers/consultants and establish a warning and blacklisting mechanism for suppliers whose performance is not up to standard and a blacklist of suppliers — Optimise the delivery partner grading management system, scientific evaluation and vigorous development of high quality partners — All suppliers are required to provide job references for specific projects or products — Refine the project process management of delivery partners to improve the delivery efficiency and quality of outsourcing and collaboration	low to medium	↓ Some of the risk items in this category have effectively implemented countermeasures to reduce the risk impact, and the overall risk level is on a downward trend.

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Laws and Regulations	Failure to comply with overseas local legal and regulatory requirements or breach of newly implemented laws and regulations may result in damage to the Company's reputation and financial loss.	— Enforce the company's rules and regulations, including the integrity system, product research and development management, and tendering procedures — Improve the authorisation mechanism for the use of employees' personal data, explain the purpose and use of personal data collected when employees join the company, and use personal data for a fee — Enhance internal audit checks and control processes — Have a team familiar with Hong Kong and Mainland China company/listing regulations, engage professional lawyers to draft and review important documents/contracts, and conduct risk identification and mitigation during the project delivery process — Conduct regular training, including regional/industry regulations, staff behaviour, etc. — Establish "Temporary Wage Employment Procedures" to monitor the attendance of temporary workers within the required hours. — Install file encryption system for office computers — Obtain the latest policy information through various channels — Sign confidentiality agreement with HR consultancy/outsourcing service providers	low to medium	←→ During the year, the Company strengthened the implementation and monitoring of new regulations in the industry and the Company's management requirements, and launched regular training for employee on industry regulations, which resulted in the enhancement of the ability to prevent risks in this category, the reduction of the number of medium-risk items, and the overall risk level was relatively stable, and it is expected to have a downward potential in the future.

CORPORATE GOVERNANCE REPORT

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Information Technology	System failures/errors or the Company's failure to keep abreast of the latest technology in the market will result in a loss of customer confidence in the Company and loss of leadership in the relevant field, which in turn will affect the sustainable development of the Company's business.	— Continuously strengthen the training on confidentiality awareness and confidentiality management, and strictly enforce staff confidentiality measures, including the uniform provision of computers by the Group and the requirement of domain user authentication for system logon — Regular check, update and maintain the payroll system and tax filing software and computers — Vendors and in-house system technical support are readily available to provide assistance and support services — Purchase vendor's operation and maintenance services, and planned upgrades and maintenance — Regulate CRM system licence management — Establish manual payroll, preparation and approval of payroll contingency procedures — Establish Disaster Recovery Plan and Business Continuity Plan (CBCP) — Develop a Business Continuity Plan (BCP) — Implement the BCP in accordance with the company's regulations, including the basic rules for project implementation on-site work, business system usage standards, system security management system, system inspection system, etc. — Conduct regular file management review and optimise file management work	low	↓ During the year, system operation and maintenance was centrally carried out by the Group, and information management and backup work was strengthened, resulting in effective improvement of system failure problems and a reduction in the risk level.

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
		— Conduct risk identification of the company's internal support system and improve the risk prevention mechanism — Regular drills on system recovery by the system provider — Optimise the system, strengthen technical maintenance, and conduct regular inspections of the system through intrusion detection, encryption, security and access control technologies, virus detection, etc., so as to detect and rectify faults in a timely manner — Establish a service standard commitment in the contract with the system provider to enable claims to be made in respect of incidents — Formulate system security measures, including 24-hour monitoring of office entrances and exits, and advance booking of APP visitors by internal staff — Classify data and set up different access rights. Important documents should be kept by specific staff and stored in locked cabinets — Data transfer, upgrade and backup, regular verification of backup recovery, designation of business plan and continuous follow-up		

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Operation Management	Inadequate controls over the daily operations of the Company's various departments, resulting in reputational and financial damage, including: piracy/copying of the Company's products, credit risk, underpricing of contracts, inadequate project control, inadequate budget control, contractual risk, reliance on a single sales channel, etc.	— Develop sales network, such as improving information technology, collecting and reflecting steam channel market intelligence information, and adjusting channel marketing arrangements; regularly reviewing and investigating market surveys, and reviewing the diversity of existing sales channels. — Improve sales management and set clear guidelines for selecting product distributors; regulate the payment process of sales business, strictly control payment audits, and review and register the payment of expenses to avoid the risk of cost overruns; continue to strengthen quarterly rolling forecasts, and adjust marketing strategies in a timely manner to ensure that the annual mission is achieved. — Strictly control the financial management, formulate the budget with each department every year and have it approved by the management; Monthly financial statements show the budget and actual expenses of different items for monitoring purposes; Prepare financial statements and analyses for each type of products and submit them to the management on time. — Continuously communicate with departments and providing feedback to customers to assist departments to clearly understand the development objectives and implement specific plans.	low to medium	↓ No significant adjustments are made to the business and operating model, and the overall risk level has changed relatively little.

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
		— Strengthen the audit capability, tax planning is coordinated by the management of the Finance Department, the Audit Department formulates an audit plan for the scheduled audit tasks (and human resources required) every year and obtains the management's approval in advance; hiring accountants with rich tax experience to handle tax management and accounting, and the department's employees have rich experience in auditing, compliance and legal affairs of professional firms — Strict systems and continuous improvement, including unified logo design, brand market positioning, cost overrun warning system, quality control system, staff expense reimbursement system, customer on-site visit service, bid evaluation system, intellectual property management system, and quality testing process — Enhance staff management, including staff overtime hours and wages, clock-in/clock-out mechanism, travelling reimbursement, etc. — Formulate short, medium and long term channel development strategies. — Formulate systematic monitoring procedures for the implementation of development objectives and execution plans, such as formulating action plans and completion deadlines for each department, requiring each department to report progress on a regular basis, and incorporating the completion of short-term development objectives and execution plans into each department's Key Performance Indicators (KPIs).		

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
		— Enhance ecological construction, focusing on the development of ecological partners such as banks, carriers, consulting firms and internet companies. — Enhance product quality management, product projects in strict accordance with the company's various R & D management standards; product development process, timely verification of the correctness of the demand; — cooperate with universities, scientific research institutes and other professors, the product design stage reference to the advanced theories of the academic community; product release need to be tested to achieve the product quality through the standard, with a clear quality evaluation and test conclusions, and in accordance with the clear release process Release approval — The company has clear rules for managing the confidentiality of technical data and information, which are regularly updated according to demand — Maintain close and good communication with customers, formulate detailed requirement research plan, and execute requirement research according to the plan; communicate with channels or customers on a regular basis, and listen to the improvement opinions; establish the evaluation system of project business plan and technical plan, and customers will participate in the evaluation — Improve cloud product DevOps R&D management process according to cloud product R&D management requirements — Closely monitor market trends by Purchasing Department — Benchmark against competitors' operating system management, combining with Operations, Platform and Technology Departments to sort out and set up suppliers' operating system requirements, and realise system automation authorisation and deduction		

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Natural Disaster	Serious disasters such as fires, floods, outbreaks of infectious viruses, etc. affect daily operations and result in financial losses for the Company.	— Establish corresponding prevention and control systems at the company level, including crisis management, staff safety management, logistics management, etc. — Improve office safety, such as establishment of smoke-free areas in office buildings, regular inspection and maintenance of office fire prevention facilities and other emergency equipment (e.g. flood prevention sandbags, etc.) — Regular disinfection of office areas — Organise emergency drills and training for staff on a regular basis — Take out business interruption insurance — Focus on weather warning, transferring in advance to avoid loss. — Establish remote office mode to ensure business continuity. — Enhance staff's awareness of safety and protection against infectious diseases, follow up staff's health condition in a timely manner, and report any abnormality immediately through quarantine. — Strictly prohibit staff from entering or leaving high-risk areas	low to medium	↓ Risk level is declining due to the gradual weakening of the pandemic and the flexible office model that enhances the ability of companies to respond to risk events.

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Physical Asset	Businesses face the risk of illegal theft, leakage and misappropriation of customer information, as well as theft of custodian company inventory and cash in their operations.	— Enhance inventory management, all stored in warehouses, managed by warehouse staff and locked outside office hours; access is recorded by the system — Fixed assets inventory is conducted regularly in the presence of the Finance Department — Improve the company's official seal storage system; official seals are managed by dedicated staff and kept in special cabinets; keep records of the use of the company's major seals — Install closed-circuit television (CCTV) at all entrances and exits of the office for 24-hour surveillance — Enhance cash management, including cash in/out reconciliation, cash count from time to time, etc. — Staff are required to use specific access cards for entering and leaving the office — Sign confidentiality agreement by staff, and if necessary, sign non-competition agreement — Strict data management, standardised procedures and data filing, important documents should be kept by specific staff and stored in locked cabinets — Each computer/database has a firewall/individual password lock, and staff are required to change the password regularly — Establish exit and settlement procedures	low	←→ New risk category was identified during the year, no change in risk for the time being

Risk Category	Key Risk	Key Control Measures and Risk Countermeasures	Risk Level	Risk Change [1]
Energy and Environmental Protection	Increase in procurement costs due to climate change or national environmental protection policies; Failure to effectively monitor pollution emitted from the project (e.g. noise, waste gas, electronic waste, etc.), resulting in negative impacts on the environment; Use of resources and energy in the course of daily operations.	— Improve our rules and regulations by including environmental considerations in our training, procurement and internal management systems — The Legal and Compliance Department monitors environmental laws and regulations and related information to ensure that all operations comply with the requirements of the laws and regulations, and takes proactive measures to respond to them — Reasonable use of resources, saving electricity, water, paper and other resources, and arranging for specialised inspections — Strengthen waste management, monitor waste generation in real time, and place and designate licensed suppliers to handle hazardous waste, such as electronic waste. — Provide training to staff and suppliers on environmental protection legislation — Encourage paperless office work and the use of electronic documents — Consider environmental factors in investment decisions — Consider only qualified suppliers in the tendering process, including suppliers whose products comply with legal requirements on environmental protection and product safety. — Regular inspection and maintenance of offices — Conduct qualification assessment of suppliers and refine environmental assessment indicators to minimise environmental risks and losses. — Research and development of energy-saving technologies	low	←→ This risk remains stable due to the nature of the business.

[1] Note: Change in risk - the level of risk increases (↑), decreases (↓) or stays the same (←→)

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are software development, cloud services and Internet of Things (IoT).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the five largest customers accounted for approximately 10.74% of the Group's total turnover. The five largest suppliers accounted for approximately15.7% of the Group's total purchase amounts. In addition, the largest customer accounted for approximately 5.14%of the Group's total turnover while the largest supplier accounted for approximately 6.27% of the Group's total purchases amount.

Except for Inspur Group Limited ("Inspur Corporation"), the major shareholder of the Company, and its subsidiaries (together referred to as "the Inspur Group"), none of the directors, their associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers. Sales to and purchases from the Inspur Group amounted to approximately 5.14% and 6.27% respectively of the total sales and total purchases of the Group for the year ended 31 December 2023.

SHARE CAPITAL

Details of movements during the year of the Company's share capital are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated Income Statement on page 63.

FINAL DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK$0.03 in respect of the year ended 31 December 2023 per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme are set out in note 42 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 44 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

CONNECTED TRANSACTIONS

Particulars of the Group's related party transactions are set out in note 43 to the consolidated financial statements, certain of which also constitute connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The connected transactions are as follows:

1. On 8 April 2004, the Company and the Inspur Group entered into a trademark licence agreement (the "Trademark Licence Agreement") which allowed the Group to use the trademark "Inspur" in Hong Kong, Taiwan and the mainland of People's Republic of China free of charge.

   Further details of such continuing connected transaction were disclosed in the Company's prospectus dated 20 April 2004 (the "Prospectus").

   The independent non-executive directors have reviewed the above connected transaction and confirmed that the above transaction was in accordance with the relevant agreement governing the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

2. On 9 May 2018, the Company entered into a new framework agreement ("New Framework Agreement") with Inspur Group Limited, major shareholder, which integrate the current continuing connected transactions with Inspur Group Limited and its subsidiaries (collectively referred to as "Inspur Group") under five categories of activities which are in line with the current business model of the Group. The major terms set out as following:

A. Supply Transactions

On 28 July 2022, the Company and Inspur Group entered into the Supplemental Agreement, The maximum annual caps under Supply Transactions will not exceed RMB360,000,000、RMB439,200,000 and RMB570,960,000 for each of the financial year ended 2022, 2023 and 2024 respectively.

Further details of such continuing connected transaction were disclosed in the Company's circular dated 31 August 2022.

The aggregate transactions under Supply Transactions for the year ended 31 December 2023 amounted to approximately RMB426,352,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2023 and confirmed that the Supply Transactions were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favorable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the Listing Rules; and (iii) in accordance with the relevant agreement governing the Supply Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

B. Selling Agency Transactions

The Group appoints Inspur Group to act as selling agent in the sale of the products and services of the Group. In return, the Inspur Group will receive a commission of 1% of the total sales value of the products and the services.

On 9 February 2022, the Company and Inspur Group entered into the Supplemental Agreement, The maximum annual caps of the value of transactions under Selling Agency Transactions will not exceed RMB1,420,000,000、RMB1,846,000,000 and RMB2,400,000,000 for each of the financial year ended 31 December 2022, 2023 and 2024 respectively. The expected maximum amounts of commissions to be paid by the Group to the Inspur Group will not exceed RMB14,200,000、RMB18,460,000 and RMB24,000,000 for each of the financial year ended 31 December 2022, 2023 and 2024 respectively.

Further details of such continuing connected transaction were disclosed in the Company's circular dated 11 April 2022 (the "Circular").

The aggregate transactions under Selling Agency Transactions for the year ended 31 December 2023 amounted to RMB675,570,000 and the related commission amounted to RMB6,676,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2023 and confirmed that the Selling Agency Transactions were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favorable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the Listing Rules; and (iii) in accordance with the relevant agreement governing the Selling Agency Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

C. Purchase Transactions

The Group will purchase the computer hardware and software products by the Group from the Inspur Group. The price per unit of the computer products and components purchased from Inspur Group will be agreed between parties with reference to the then prevailing markets prices of such computer hardware and software products at the relevant time.

The maximum annual caps under supply Transactions will not exceed RMB320,000,000, RMB416,000,000 and RMB540,800,000 for each of the financial year ended 31 December 2022 and 2023 and 2024 respectively.

Further details of such continuing connected transaction were disclosed in the Company's circular dated 31 August 2022.

The aggregate transactions under Purchase Transactions for the year ended 31 December 2023 amounted to RMB397,681,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2023 and confirmed that the Purchase Transactions were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favorable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the Listing Rules; and (iii) in accordance with the relevant agreement governing the Purchase Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

D. Common Services Transactions

The Inspur Group shall provide office, water, heat, electricity and vehicles for use ("Common Services") by the Group. The expenses to be charged will be agreed upon between the parties and shall be determined based on normal commercial terms through arm's length negotiation or on terms no less favorable than the terms available from independent third parties for provision of similar services. The maximum annual amount of the expenses payable to Inspur Group for each of the three years ending 31 December 2022, 2023 and 2024 are RMB12,210,000、RMB13,431,000 and RMB14,777,000 respectively.

Further details of such continuing connected transaction were disclosed in the Company's circular dated 31 August 2022.

The use of Common Services for the year ended 31 December 2023 amounted to approximately RMB13,413,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2023 and confirmed that the Common Services Transactions were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favorable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the Listing Rules; and (iii) in accordance with the relevant agreement governing the Common Services Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

E. Lease

The Group shall provide Beijing office for use ("Leasing") to Inspur Group. The expenses to be charged will be agreed upon between the parties and shall be determined based on normal commercial terms through arm's length negotiation or on terms no less favorable than the terms available from independent third parties for provision of similar services.

On 31 December 2020, the Company and Inspur Group entered into the Supplemental Agreement, The maximum annual caps under Lease Transactions will not exceed RMB20, 940,000、RMB31,940,000 and RMB35,140,000 for each of the financial year ended 2021, 2022 and 2023 respectively.

Further details of such continuing connected transaction were disclosed in the Company's announcement dated 31 December 2020.

During the year ended 31 December 2023, the rental Income from Inspur Group under Leasing amounted to approximately RMB13,959,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2023 and confirmed that the Leasing were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favorable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the Listing Rules; and (iii) in accordance with the relevant agreement governing the Leasing Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

3. The Group shall provide Jinan office for use ("Leasing Services") to Inspur Group. The expenses to be charged will be agreed upon between the parties and shall be determined based on normal commercial terms through arm's length negotiation or on terms no less favorable than the terms available from independent third parties for provision of similar services.

On 28 July 2022, the Company and Inspur Group entered into the Agreement, The maximum annual caps under Leasing Services will not exceed RMB52, 410,000 for each of the financial year ended 2023, 2024 and 2025 respectively.

Further details of such continuing connected transaction were disclosed in the announcement dated 28 July 2020.

During the year ended 31 December 2023, the rental Income from Inspur Group under Leasing Services amounted to approximately RMB29,953,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2023 and confirmed that the Leasing Services were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favourable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the Listing Rules; and (iii) in accordance with the relevant agreement governing the Leasing Services Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

During the year ended 31 December 2023, the Group leased properties located in Hong Kong to a fellow subsidiary of the Inspur Group, which generated the rental income of RMB587,000.

4. Financial Services

On 28 July 2022, The Group signed Framework Financial Services Agreement with Inspur Finance, pursuant to which Inspur Finance 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.

Further details of such continuing connected transaction were disclosed in the Company's circular dated 31 Augst 2022 (the "Circular").

As of 2023, the maximum daily deposit balance (including any accrued interest) was approximately RMB497,510,000.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the above connected transactions and continuing connected transactions. In addition, Pursuant to Rule 14A.56 & 14A.57 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditors of the Company have provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

(ii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iii) did not exceed the annual cap amounts.

5. Interest Income

During the year ended 31 December 2023, the Group collected interest income from Inspur Finance, which generated the interest income of RMB6,250,000.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution are set out as below:

	2023 RMB'000
Reserves	**2,036,768**

Under the Companies Law, Cap. 22 (Law 3 of 1971, as consolidated and revised) of the Cayman Islands, the share premium of the Company may be distributed subject to the provision of the Company's Memorandum and Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. This share premium account may also be distributed in the form of fully paid bonus shares.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Mr. Wang Xingshan[*1]
Mr. Zhao Zhen[*1]
Mr. Wang Yusen
Mr. Cui Hongzhi
Ms. Li Chunxiang
Ms. Zhang Ruijun
Mr. Wong Lit Chor, Alexis
Mr. Ding Xiangqian

*1 Mr. Wang Xingshan resigned as Executive Director and Chairman of the Board of Directors on Feb 1, 2024, and Mr. Zhao Zhen served as Executive Director and Chairman of the Board of Directors on Feb 1, 2024.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as at the date of this annual report, all of the independent non-executive Directors are independent.

In compliance with the Rule 3.09D of th revised Listing Rules which took effect on 31 December 2023, Mr. Zhao Zhen who was appointed as executive Director on 1 February 2024, obtained the legal advice as referred to in Rule 3.09D on the same date. Mr. Zhao Zhen has cofirmed that he understood his obligations his obligations as a director of the Company.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 31 December 2023, the interests and short positions of the directors and the chief executive and their associates in the shares and underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code contained in the Listing Rules were as follows:

(a) Long positions in the shares of the Company ang Long positions in the underlying shares of equity derivatives of the Company

Options in the Company

Name of directors	Capacity	Description of equity derivates	Number of underlying shares *(Note)*	Subscription price per share *HK$*
Wang Xingshan	owner	share option	600,000*1	4.72
Wei Daisen	owner	share option	450,000*1	4.72
Cui Hongzhi	owner	share option	500,000*1	4.72
Wang Yusen	owner	share option	250,000*1	4.72
Zou Bo	owner	share option	200,000*1	4.72
Wong Lit Chor, Alexis	owner	share option	200,000*2	3.16
Zhang Ruijun	owner	share option	200,000*2	3.16
Ding Xiangqian	owner	share option	200,000*2	3.16

Notes:

(1) On 11 January 2023, the share options were granted to director under 2018 Share Option Scheme

(2) On 16 October 2018, the share options were granted to director under 2008 Share Option Scheme.

Save as disclosed above, as at 31 December 2023, none of the directors or the chief executive or its associates had any interests or short positions in any shares or underlying shares of equity derivatives of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders other than the directors of the Company had notified the Company of relevant interests in the issued capital of the Company.

Long position in shares and underlying shares of the Company

Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Type of Interests	Number of issued ordinary of shares held	Percentage of the issued share capital the Company
Inspur Group Limited	Beneficial owner (Note 1)	428,278,400	37.50%
Inspur Cheeloo Overseas Investment And Development Co., Limited	Beneficial owner (Note 1)	193,401,286	16.94%

Note 1: Inspur Group Limited is taken to be interested in 621,679,686 shares due to its indirect 100% shareholdings in the issued share capital of Inspur Cheeloo Overseas Investment And Development Co., Limited.

As at 31 December 2023, no persons have any other relevant interests or short positions in shares or underlying shares of equity derivatives of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SHARE OPTIONS

A breakdown of the number of share options outstanding at the beginning and at the end of the year ended 31 December 2023, including the date of grant, exercise price, exercise period and vesting period, separate amounts of share options granted, exercised, cancelled and lapsed during the year for each of the Directors and the aggregate amounts for employees, are set out below.

	Number of share options									
Category/Participant	Outstanding as at 1 January 2023	Date of Grant	Granted	Exercised	Cancelled	Forfeited	Outstanding as at 31 December 2023	Exercise price per share (HK$)	Exercise Period	Vesting Period
Directors and chief executives										
Wang Xingshan		11 Jan 2023	600,000				600,000	4.72	11 Jan 2023 to 10 Jan 2028	Note 1
Wei Daisen		11 Jan 2023	450,000				450,000	4.72	11 Jan 2023 to 10 Jan 2028	Note 1
Cui Hongzhi		11 Jan 2023	50,000				500,000	4.72	11 Jan 2023 to 10 Jan 2028	Note 1
Wang Yusen		11 Jan 2023	250,000				250,000	4.72	11 Jan 2023 to 10 Jan 2028	Note 1
Zou Bo		11 Jan 2023	200,000				200,000	4.71	11 Jan 2023 to 10 Jan 2028	Note 1
Wong Lit Chor, Alexis	200,000	16 Oct 2018	–		–	–	200,000	3.16	16 Oct 2018 to 15 Oct 2028	Note 2
Zhang Ruijun	200,000	16 Oct 2018	–	–	–	–	200,000	3.16	16 Oct 2018 to 15 Oct 2028	Note 2
Ding Xianqian	200,000	16 Oct 2018	–	–	–	–	200,000	3.16	16 Oct 2018 to 15 Oct 2028	Note 2
Sub-total	**600,000**		**2,000,000**	**–**		**–**	**2,600,000**			
Employees		11 Jan 2023	31,440,000			820,000	30,620,000	4.72	11 Jan 2023 to 10 Jan 2028	Note 1
Employees	716,000	28 Aug 2020	–	–	–	60,900	655,100	2.29	28 Aug 2020 to 27 Aug 2030	Note 3
Sub-total	**716,000**		**31,440,000**	**–**		**880,900**	**31,275,100**			
Total	**1,255,100**			**–**		**–**	**33,875,100**			

Notes:

1. On the premise of achieving performance goals, 40% of the options exercisable from the date of grant to expiry of option period (both dates inclusive); 30% of the options exercisable from the first anniversary of the date of grant to expiry of option period (both dates inclusive); and the remaining 30% of the options exercisable from the second anniversary of the date of grant to expiry of option period (both dates inclusive).

2. One third of the options exercisable from the date of grant to expiry of option period (both dates inclusive); one third of the options exercisable from the first anniversary of the date of grant to expiry of option period (both dates inclusive); and the remaining one third of the options exercisable from the second anniversary of the date of grant to expiry of option period (both dates inclusive).

3. Conditional upon the achievement of certain performance targets or market capitalization targets during the vesting period to be determined by the Board at its absolute discretion. If the performance target is not achieved for three (3) consecutive years, the options granted will automatically lapse with immediate effect.

Save as disclosed above, as at 31 December 2023, none of the directors or the chief executive or its associates had any interests or short positions in any shares or underlying shares of equity derivatives of the Company or any of its associated corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTEREST

During the year ended 31 December 2023, none of the directors, chief executive, initial management shareholders or its substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interests in a business which competes with or may compete with the business of the Group.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, Ms. Zhang Ruijun, Mr. Wong Lit Chor, Alexis and Mr. Ding Xiangqian. Mr. Wong Lit Chor, Alexis is the chairman of the audit committee. The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting system, risk management systems and internal control procedures.

Up to the date of approval of these consolidated financial statements, the audit committee has held two meetings and has reviewed the Company's draft annual and interim financial reports and consolidated financial statements prior to recommending such reports and consolidated financial statements to the Board for approval.

The Group's audited results for the year ended 31 December 2023 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of Listing Rules for Main Board throughout the period ended 31 December 2023.

INDEPENDENCE OF INDEPENDENT NONEXECUTIVE DIRECTORS

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rule 3.13 of the Listing Rules and all independent non-executive directors are considered to be independent.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") set out in Appendix 10 of Main Board Listing Rule as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code throughout the period ended 31 December 2023.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 34 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

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

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 Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17 Floor 1712-1716 room, 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 Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17 Floor 1712-1716 room, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 28 June 2024.

AUDITOR

A resolution will be submitted to the annual general meeting to reappoint SHINEWING (HK) CPA LIMITED as the auditor of the Company.

On behalf of the Board
Zhao Zhen
CHAIRMAN

28 March 2024

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF 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)

OPINION

We have audited the consolidated financial statements of Inspur Digital Enterprise Technology Limited, (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 155 which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2023.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF INSPUR DIGITAL ENTERPRISE TECHNOLOGY LIMITED (continued)
浪潮數字企業技術有限公司
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of software development contracts	
We identified revenue recognition in connection with software development contracts as a key audit matter due to management judgments required in the estimation of the outcome and the progress towards complete satisfaction of software development work. Revenue in connection with software development contracts is recognised by reference to the progress towards complete satisfaction of the relevant performance obligation at the end of the reporting period, which is measured based on the Group's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The progress towards complete satisfaction requires management to make significant estimates of the expected costs to complete the relevant performance obligations based on the budgets prepared for the contract. Details relating to the Group's revenue arising from software development contracts and corresponding key estimation uncertainty on recognition are set out in Notes 4 and 5 to the consolidated financial statements respectively.	We have evaluated the key controls over the preparation of estimated total costs for the contract and determination of the progress towards complete satisfaction relating to the software development contracts. We have interviewed the project managers of selected software development projects, on a sample basis, to obtain an understanding of the contract work status and evaluating the reasonableness of estimated total costs for the contract. On a sampling basis, we have checked the total contract sum, the estimated total costs for the contract and costs incurred for the work performed to date against the supporting documents. We obtained understanding of, evaluated and tested the IT general controls over the system where the timesheet information of the software development contracts are recorded and maintained. On a sampling basis, we have checked the computation of the progress towards complete satisfaction of the relevant performance obligation based on costs incurred for the work performed to date relative to the estimated total costs for the contract and checking whether contract revenue was recognised properly based on the progress towards complete satisfaction of the relevant performance obligation.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF INSPUR DIGITAL ENTERPRISE TECHNOLOGY LIMITED (continued)
浪潮數字企業技術有限公司
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified valuation of investment properties as a key audit matter due to subjective judgments and estimates required in determining the fair value. As at 31 December 2023, the Group's investment properties which comprised the office premises located in Jinan, Beijing, Changsha, Changchun and Hong Kong were stated at fair value of approximately RMB790 million. The Group's investment properties located in Jinan and part of the investment properties located in Beijing, totally accounted for approximately 96.2% of the carrying amount of the investment properties, are determined by the directors of the Company using the fair value model based on a valuation performed by a firm of professional valuer (the "Valuer"). In determining the fair value of the investment properties, the Valuer has applied an income capitalisation approach which involves, inter-alia, certain estimates, including appropriate capitalisation rates, and market rent of comparable properties. Details relating to the Group's investment properties are set out in Note 16 to the consolidated financial statements.	We have discussed with management to understand valuation process of the investment properties. We have evaluated the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work. We obtained a copy of valuation report prepared by the Valuer and discussed with the Valuer together with our valuation expert to understand the basis of determination of valuation and evaluate the Valuer's methodologies and basis of judgments in valuing the investment properties and obtained the evidence that to support the key input, among others, rental income and term of existing leases.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF INSPUR DIGITAL ENTERPRISE TECHNOLOGY LIMITED (continued)
浪潮數字企業技術有限公司
(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF INSPUR DIGITAL ENTERPRISE TECHNOLOGY LIMITED (continued)
浪潮數字企業技術有限公司
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

TO THE SHAREHOLDERS OF INSPUR DIGITAL ENTERPRISE TECHNOLOGY LIMITED (continued)
浪潮數字企業技術有限公司
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**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	7	**222,098**	216,092
Other gains and losses, net	7	**(3,024)**	(1,031)
Impairment losses under expected credit loss model, net of reversal	8	**(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		**(29,138)**	(14,178)
Share of results of associates		**7,677**	6,049
Share of result of a joint venture		**895**	45,016
Profit before tax		**278,664**	148,640
Income tax expenses	9	**(68,239)**	(23,831)
Profit for the year	10	**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	14		
– 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 RMB'000	2022 RMB'000
Profit for the year	**210,425**	124,809
Other comprehensive income (expense):		
Items that will not be reclassified to profit or loss:		
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)**	—
	1,105	(30)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(176)**	(826)
Other comprehensive income (expense) for the year, net of income tax	**929**	(856)
Total comprehensive income for the year	**211,354**	123,953
Total comprehensive income for the year attributable to:		
– Owners of the Company	**202,559**	117,834
– Non-controlling interests	**8,795**	6,119
	211,354	123,953

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	15	**296,840**	374,401
Investment properties	16	**790,072**	747,920
Right-of-use assets	17	**55,689**	66,344
Other intangible assets	18	**33,628**	34,000
Interests in associates	20	**445,281**	217,604
Interest in a joint venture	21	**137,308**	136,267
		1,758,818	1,576,536
Current assets			
Inventories	22	**1,494**	438
Trade and bills receivables	23	**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	24	**824,391**	363,677
Amount due from ultimate holding company	25	**1,966**	5,749
Amounts due from fellow subsidiaries	25	**389,460**	296,818
Pledged bank deposits	26	**31,654**	28,393
Bank balances and cash	26	**1,264,504**	1,193,170
		4,565,601	3,241,493
Current liabilities			
Trade payables	27	**1,198,861**	598,008
Other payables, deposits received and accrued expenses	28	**820,594**	646,286
Lease liabilities	29	**13,896**	12,322
Contract liabilities	24	**1,427,669**	1,076,509
Provisions	30	**7,910**	12,551
Amount due to ultimate holding company	31	**1,172**	967
Amounts due to fellow subsidiaries	31	**218,816**	223,977
Amount due to an associate	32	**146,001**	—
Deferred income - government grants	35	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities	29	**6,286**	7,926
Deferred income - government grants	35	**83,840**	102,598
Deferred tax liabilities	36	**221,544**	201,129
		311,670	311,653
		2,097,671	1,877,967
Capital and reserves			
Share capital	33	**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

The consolidated financial statements on pages 63 to 155 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf by:

Mr. WANG Yusen
Director

Mr. ZHAO Zhen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 Note (i)	Special reserve RMB'000 Note (ii)	Share-based payments reserve RMB'000	Translation reserve RMB'000	Revaluation reserve RMB'000	Merge reserve RMB'000 Note (iii)	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2022	**10,796**	**1,371,809**	**(498,594)**	**98**	**1,359**	**11,424**	**96,521**	**(347,589)**	**1,191,811**	**1,837,635**	**40,332**	**1,877,967**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**201,630**	**201,630**	**8,795**	**210,425**
Other comprehensive (expense) income	**–**	**–**	**–**	**–**	**–**	**(176)**	**1,105**	**–**	**–**	**929**	**–**	**929**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**(176)**	**1,105**	**–**	**201,630**	**202,559**	**8,795**	**211,354**
Contribution by non-controlling interest of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**980**	**980**
Dividend paid (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(20,548)**	**(20,548)**	**–**	**(20,548)**
Recognition of equity-settled share-based payments (Note 34)	**–**	**–**	**–**	**–**	**27,918**	**–**	**–**	**–**	**–**	**27,918**	**–**	**27,918**
At 31 December 2023	**10,796**	**1,371,809**	**(498,594)**	**98**	**29,277**	**11,248**	**97,626**	**(347,589)**	**1,372,893**	**2,047,564**	**50,107**	**2,097,671**
At 31 December 2021	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 year	–	–	–	–	–	–	–	–	118,690	118,690	6,119	124,809
Other comprehensive loss	–	–	–	–	–	(826)	(30)	–	–	(856)	–	(856)
Total comprehensive (expense) income for the year	–	–	–	–	–	(826)	(30)	–	118,690	117,834	6,119	123,953
Disposal of equity instrument at FVTOCI through disposal of a subsidiary (Note 37)	–	–	–	–	–	–	(7,493)	–	7,493	–	–	–
Acquisition of additional interests in a subsidiary	–	–	530	–	–	–	–	–	–	530	(5,108)	(4,578)
Contribution by non-controlling interest	–	–	–	–	–	–	–	–	–	–	1,780	1,780
Recognition of equity-settled share-based payments (Note 34)	–	–	–	–	114	–	–	–	–	114	–	114
	–	–	530	–	114	–	(7,493)	–	7,493	644	(3,328)	(2,684)
At 31 December 2022	10,796	1,371,809	(498,594)	98	1,359	11,424	96,521	(347,589)	1,191,811	1,837,635	40,332	1,877,967

Notes:

i) Other reserve arose from the acquisition of partial interest in a subsidiary without changes in control.

ii) The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the 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.

iii) The merge reserve arose from the acquisition of subsidiaries under common control and the acquisition is accounted for by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting for Common Control Combinations."

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**278,664**	148,640
Adjustments for:		
Share of results of associates	**(7,677)**	(6,049)
Share of results of joint ventures	**(895)**	(45,016)
Interest income on bank deposits	**(8,148)**	(15,591)
Finance costs	**6,367**	3,398
Changes in fair value of investment properties	**29,138**	14,178
Depreciation of property, plant and equipment	**33,418**	36,862
Depreciation of right-of-use assets	**29,184**	20,256
Amortisation of other intangible assets	**15,215**	14,055
Net loss on disposal and written off of property, plant and equipment	**122**	337
Impairment loss, net of reversal - financial assets	**42,437**	9,972
Impairment loss on contract assets	**23,808**	32,103
Utilisation for onerous contracts, net	**(4,641)**	(13,809)
Government subsidies and grants	**(72,249)**	(58,594)
Recognition of equity-settled share-based payments	**27,918**	114
Loss on disposal of a subsidiary	**—**	19
Bargain purchase gain on acquisition of a subsidiary	**—**	(95)
Operating cash flows before movements in working capital	**392,661**	140,780
(Increase) decrease in inventories	**(1,056)**	1,257
Increase in trade and bills receivables	**(589,406)**	(497,558)
Decrease (increase) in debt instruments at FVTOCI	**28,095**	(32,583)
Increase in prepayments, deposits and other receivables	**(179,739)**	(75,867)
Increase in contract assets	**(484,522)**	(171,272)
Increase in amounts due from fellow subsidiaries	**(53,156)**	(31,134)
Decrease in amount due from ultimate holding company	**881**	1,339
Increase in trade payables	**600,853**	418,357
Increase in other payables, deposits received and accrued expenses	**171,728**	66,272
Increase in contract liabilities	**351,160**	183,467
(Decrease) increase in amounts due to fellow subsidiaries	**(19,128)**	176,340
Increase (decrease) in amount due to ultimate holding company	**266**	(368)
Increase in deferred income - government grants	**29,719**	26,290
Cash generated from operations	**248,356**	205,320
Income taxes paid	**(8,300)**	(17,743)
NET CASH FROM OPERATING ACTIVITIES	**240,056**	187,577

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Additional investment in an associate		**(220,000)**	—
Advance to fellow subsidiaries		**(40,630)**	(3,287)
Purchases of property, plant and equipment		**(26,813)**	(31,826)
Purchases of other intangible assets		**(14,843)**	(4,850)
Withdrawal of pledged bank deposits		**—**	12,222
Proceeds from disposal of property, plant and equipment		**14,864**	932
Interest received		**8,148**	15,591
Repayment from (advance to) ultimate holding company		**3,794**	(2,968)
Placement of pledged bank deposits		**(3,261)**	(11,220)
Dividend and capital reduction received from an associate		**—**	3,697
Repayment from fellow subsidiaries		**—**	2,395
Net cash used in acquisition of a subsidiary		**—**	(3,236)
Net cash from disposal of a subsidiary	37	**—**	25,444
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(278,741)**	2,894
FINANCING ACTIVITIES			
Borrowings from an associate		**146,001**	—
Proceeds received from discounted bills		**143,001**	127,256
Advance from fellow subsidiaries		**13,967**	—
Government grant received		**6,423**	6,679
Capital injection from non-controlling shareholder of a subsidiary		**980**	1,780
Repayments of discounted bills		**(143,001)**	(127,256)
Repayments of lease liabilities		**(31,919)**	(21,845)
Dividend paid		**(20,548)**	—
Interest paid on lease liabilities		**(1,481)**	(1,081)
Interest paid on discounted bills		**(2,512)**	(2,317)
Repayment to ultimate holding company		**(61)**	(574)
Repayment to fellow subsidiaries		**—**	(6,101)
Acquisition of additional interest in a subsidiary		**—**	(4,578)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**110,850**	(28,037)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**72,165**	162,434
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,193,170**	1,033,139
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(831)**	(2,403)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Bank balances and cash		**1,264,504**	1,193,170

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 Overseas Investment Limited ("Inspur Overseas"), a company incorporated in the British Virgin Islands and Inspur Group Limited ("IPG"), 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 section "Corporate information" in the annual report.

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 ("HKFRS(s)")

Application of new and amendments to HKFRSs

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 January 2023:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies as set out in note 3.

Impact on application of Amendments to HKAS 8 - Definition of Accounting Estimates

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

Impact on application of Amendments to HKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earningsat that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The amendments had no material impact on the consolidated financial statements of the Group.

Impact on application of HKFRS 17 Insurance Contracts

HKFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. HKFRS 17 replaces HKFRS 4 Insurance Contracts that was issued in 2005. HKFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of HKFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, HKFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. HKFRS 17 is based on a general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The amendments had no impact on the consolidated financial statements of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

Impact on application of Amendments to HKAS 12 - International Tax Reform—Pillar Two Model Rules (For entity where its income tax will be affected by enacted or substantively enacted tax law that implements the OECD's Pillar Two model rules)

The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform. The amendments introduce (i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and (ii) targeted disclosure requirements for affected entities.

The Group has applied the mandatory temporary exception from recognition and disclosure of information about deferred taxes related to Pillar Two income taxes immediately and retrospectively.

Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

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 determinated

The directors of the Company anticipate that, except as described below, the application of the amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

The effective date of Amendments to HKFRS 10 and HKAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of Amendments to HKFRS 10 and HKAS 28 will not have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback

The amendments add measurement requirements for a sale and leaseback transaction, where the transfer of the asset satisfies the requirements in HKFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKFRS 16 will not have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) and Amendments to HKAS 1 –Non-current Liabilities with Covenants

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the "2020 Amendments") clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

Amendments to HKAS 1 Non-current Liabilities with Covenants issued in 2022 (the "2022 Amendments") further clarify how an entity determines the current or non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) and Amendments to HKAS 1 –Non-current Liabilities with Covenants (continued)

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the amendments will not result in change in the classification of the Group's liabilities.

Amendments to HKAS 7 Statement of Cash Flows and HKFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements

The amendments add a disclosure objective to HKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendments to HKAS 21 Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable into another currency and, when it is not, how to determine the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at the initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income ("OCI") from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of OCI are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of a subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and OCI of the associate or joint venture. Changes in net assets of the associate and joint venture other than profit or loss and OCI are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in OCI in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in OCI by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Leasing

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Leasing (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Leasing (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest and rental income which are derived from the Group's ordinary course of business are presented as other income.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated from their functional currencies into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Foreign currencies (continued)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The change in presentation currency of the Company was applied retrospectively, as if the new presentation currency had always been applied.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and other retirement benefit schemes managed by the government in the PRC are charged as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

When the share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority and the Group intends to settle current tax liability and assets on a net basis.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is protection that taxable profit will be available against with the deductible temporary difference can be utilised and a deferred tax liabilities for all taxable temporary difference.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16) at the date of transfer is recognised in OCI and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction and less their estimated residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Investment properties (continued)

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on a prospective basis.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss in the period when the asset is derecognised.

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to relevant cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of cash flows include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Equity instrument designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instrument are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and bills receivables, debt instruments at FVTOCI, deposit and other receivables, amount due from ultimate holding company, amounts due from fellow subsidiaries, pledged bank deposits, and bank balances and cash), and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and bills receivables, contract assets and amounts due from related parties which is trading in nature without significant financing component. The ECL on these assets are assessed individually for those with credit-impaired and collectively using a provision matrix with appropriate groupings with shared credit characteristics for the others.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and contract assets (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group's debt instruments at FVTOCI only comprise bills receivable that are issued and guaranteed by the reputable PRC banks and therefore are considered to be low credit risk.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and contract assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and contract assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables and contract assets using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables/contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bill receivables, other receivables, contract assets and amounts due from related parties where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (continued)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including amounts due to the ultimate holding company, fellow subsidiaries and an associate, trade payables, other payables, deposits received and accrued expenses are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

The Group has not recognised any deferred tax on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. In respect of those investment properties located in the Mainland China, the Group recognised additional deferred taxes relating to Land Appreciation Tax and the PRC Enterprise Income Tax ("EIT") on changes in fair value of such investment properties.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

Software development contracts

Under HKFRS 15, the Group recognises contract revenue and profit on a software development contract according to the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Revenue and costs in connection with software development contracts are recognised by reference to the progress towards complete satisfaction of the performance obligation at the end of the reporting period, which is measured based on the proportion that costs incurred for work performed to date relative to the estimated total costs for the contract.

The Group recognises provision for onerous contracts where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Management estimates the expected costs for the contract to complete the relevant performance obligations based on the budgets prepared for the contracts. Because of the nature of the activities, management reviews and revises the estimates of such expected costs for the contract in the budget prepared for each contract as the contract progresses. Any revisions to estimates of the expected costs for the contract would affect contract revenue recognition and provision for onerous contracts.

Estimation of fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in Note 16.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimation of fair value of investment properties (continued)

At the end of the reporting period, the Group's investment properties are stated at fair value of approximately RMB790,072,000 (2022: RMB747,920,000) based on a valuation performed by a firm of professional valuer ("Valuer"). In determining the fair value of the investment properties located in Jinan and part of the investment properties located in Beijing, the Valuer has applied income capitalisation approach which involves, inter-alia, certain estimates, including appropriate capitalisation rates and market rent of comparable properties. For other investment properties located in Beijing, Changsha, Changchun and Hong Kong, the Valuer has applied comparative approach which based on rent market prices of comparable properties.

Provision of ECL for trade and bills receivables and contract assets

Trade and bills receivables and contract assets with significant balances, which are credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade and bills receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2023, the gross carrying amount of trade and bills receivables and contract assets were RMB1,699,610,000 (2022: RMB1,116,227,000) and RMB973,078,000 (2022: RMB488,556,000), respectively and the balances of allowance for credit losses were RMB94,381,000 (2022: RMB63,695,000) and RMB148,687,000 (2022: RMB124,879,000), respectively.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables and contract assets are disclosed in Note 39.

5. REVENUE

A. Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2023 Cloud services RMB'000	Management software RMB'000	Internet of things (IoT) solution RMB'000	Consolidated RMB'000
Types of goods or services				
Sales of IT peripherals and software	—	—	3,829,047	3,829,047
Software development	2,000,073	1,491,518	—	3,491,591
Other software services	—	973,808	—	973,808
	2,000,073	2,465,326	3,829,047	8,294,446
Geographical markets				
Mainland China	2,000,073	2,464,837	3,798,915	8,263,825
United States	—	—	29,861	29,861
Others	—	489	271	760
	2,000,073	2,465,326	3,829,047	8,294,446
Timing of revenue recognition				
At point in time	—	—	3,829,047	3,829,047
Over time	2,000,073	2,465,326	—	4,465,399
	2,000,073	2,465,326	3,829,047	8,294,446

5. REVENUE (continued)

A. Disaggregation of revenue from contracts with customers (continued)

	For the year ended 31 December 2022			
Segments	Cloud services RMB'000	Management software RMB'000	Internet of things (IoT) solution RMB'000	Consolidated RMB'000
Types of goods or services				
Sales of IT peripherals and software	—	—	3,447,275	3,447,275
Software development	1,258,088	1,305,747	—	2,563,835
Other software services	—	955,480	—	955,480
	1,258,088	2,261,227	3,447,275	6,966,590
Geographical markets				
Mainland China	1,258,088	2,191,864	3,447,066	6,897,018
United States	—	66,444	209	66,653
Others	—	2,919	—	2,919
	1,258,088	2,261,227	3,447,275	6,966,590
Timing of revenue recognition				
At point in time	—	—	3,447,275	3,447,275
Over time	1,258,088	2,261,227	—	3,519,315
	1,258,088	2,261,227	3,447,275	6,966,590

5. REVENUE (continued)

B. Performance obligations for contracts with customers

The Group's revenue is mainly generated from the sales of IT peripherals and software, software development and other software services.

For the sales of IT peripherals and software, the Group's main products are computer hardware and software products, which are standard packaged and non-customised. According to the agreement and purchase order, the significant risk and rewards of ownership are transferred to customers upon the acceptance of products, and the Group does not have any subsequent obligation or involvement.

Revenue in connection with software development contracts are recognised by reference to the progress towards complete satisfaction of the performance obligation at the end of the reporting period, which is measured based on the proportion that costs incurred for work performed to date relative to the estimated total costs for the contract.

Other software services represent software application and technical support service to customers. Price setting is based on workload confirmed by customers, under this price setting scheme, the fee charged to customers is not fixed.

Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts are for periods of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. 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 assessment of segment performance focuses on nature of types of services provided. These revenue streams and the basis of the internal reports about the components of the Group are regularly reviewed by the CODM.

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.

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 December 2023

Segments	For the year ended 31 December 2023 Cloud services RMB'000	Management software RMB'000	Internet of things (IoT) solution RMB'000	Consolidated RMB'000
Segment revenue	2,000,073	2,465,326	3,829,047	8,294,446
Segment (loss) profit	(56,201)	377,781	55,023	376,603
Unallocated other income, gains and losses, net				47,782
Changes in fair value of investment properties				(29,138)
Share of results of associates				7,677
Share of result of a joint venture				895
Share-based payments				(27,918)
Unallocated administrative expenses				(24,594)
Unallocated selling and distribution expenses				(31)
Impairment losses under ECL model, net of reversal				(66,245)
Finance costs				(6,367)
Profit before tax				278,664

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2022

Segments	For the year ended 31 December 2022			
	Cloud services RMB'000	Management software RMB'000	Internet of things (IoT) solution RMB'000	Consolidated RMB'000
Segment revenue	1,258,088	2,261,227	3,447,275	6,966,590
Segment (loss) profit	(133,257)	223,699	49,154	139,596
Unallocated other income, gains and losses, net				42,774
Changes in fair value of investment properties				(14,178)
Share of results of associates				6,049
Share of result of a joint venture				45,016
Share-based payments				114
Unallocated administrative expenses				(25,233)
Unallocated selling and distribution expenses				(25)
Impairment losses under ECL model, net of reversal				(42,075)
Finance costs				(3,398)
Profit before tax				148,640

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 assets and segment liabilities 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.

Geographical information

The Group's operations are currently carried out in the PRC, the country of domicile, 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.

6. SEGMENT INFORMATION (continued)

Geographical information (continued)

	Revenue from external customers		Non-current assets*	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
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
	8,294,446	6,966,590	**1,758,818**	1,576,536

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

Information about major customers

The Group has no customers with revenue amount more than 10% of the Group's revenue for the year ended 31 December 2023 (2022: none).

7. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2023 RMB'000	2022 RMB'000
Other income:		
Interest income on bank deposits	**8,148**	15,591
VAT refund (note i)	**100,354**	100,669
Government subsidies and grants (note ii)	**72,249**	58,594
Rental income	**40,567**	41,099
Bargain purchase gain on acquisition of a subsidiary	**—**	95
Others	**780**	44
	222,098	216,092
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 (Note 37)	**—**	(19)
Others	**(2,595)**	(2,811)
	(3,024)	(1,031)

7. OTHER INCOME, OTHER GAINS AND LOSSES, NET (continued)

Notes:

i. Inspur Generally Software Co., Ltd. ("Inspur Genersoft") and Inspur Communications System Co., Ltd. ("Inspur Communications"), subsidiaries of the Company, are engaged in the business of distribution of self-developed and produced 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.

ii. For the year ended 31 December 2023, government subsidiaries 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 obligations 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.

For the year ended 31 December 2023, government grants of approximately RMB65,826,000 (2022: RMB51,915,000) represents the grants from the relevant government authorities for funding certain development projects undertaken by the group entities. 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.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2023 **RMB'000**	2022 RMB'000
Impairment losses recognised (reversed) on:		
– Trade and bills receivables	**36,709**	15,984
– Other receivables	**5,476**	(1,417)
– Contract assets	**23,808**	32,103
– Amounts due from related parties	**252**	(4,595)
	66,245	42,075

9. INCOME TAX EXPENSES

	2023 RMB'000	2022 RMB'000
Current tax:		
PRC EIT	**52,991**	7,006
Withholding tax on distributed earnings	**3,936**	6,212
(Over) Under provision in prior years		
PRC EIT	**(8,908)**	11,393
Deferred tax (Note 36)	**20,220**	(780)
	68,239	23,831

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for Hong Kong profits tax has been made in the consolidated financial statements in both years as there are no assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Inspur Genersoft, Inspur Communications, Beijing Tianyuan Network Co., Ltd. ("Tianyuan Network"), Zhengzhou Hualiang Technology Co., Ltd. ("Zhengzhou Hualiang") and Beijing Genersoft Technology Co., Ltd. ("Beijing Genersoft").

Inspur Communications, Tianyuan Network, Zhengzhou Hualiang and Beijing Genersoft are recognised as "New and High Technology Enterprise" and therefore entitled to apply a tax rate of 15% for the years ended 31 December 2023 and 2022.

Pursuant to the Notice of the Ministry of Industry and Information Technology, the Ministry of Finance, the State Taxation Administration and National Development Reform Commission on Relevant Issues Concerning the Preferential Policies on Enterprise Income Tax of Software and Integrated Circuit Industry ("Cai Shui 2016 No. 49") and the Notice of the Ministry of Finance and the State Taxation Administration on Further Encouraging the Development of Enterprise Income Tax Policies for the Software Industry and Integrated Circuit Industry ("Cai Shui 2012 No. 27"), Inspur Genersoft is designated as a qualified software enterprise and therefore entitled to apply a reduced tax rate of 10% (2022:10%).

9. INCOME TAX EXPENSES (continued)

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	**278,664**	148,640
Tax at PRC EIT of 25% (2022: 25%) (note)	**69,666**	37,160
Tax effect of share of profit of associates	**(1,919)**	(1,512)
Tax effect of share of profit of a joint venture	**(224)**	(11,254)
Tax effect of tax losses not recognised	**91,503**	70,046
Utilisation of tax losses previously not recognised	**(2,298)**	(4,647)
(Over)under provision in respect of prior years	**(8,908)**	11,393
Tax effect of expenses not deductible for tax purpose	**36,519**	35,853
Tax effects of income not taxable for tax purpose	**(1,158)**	(10,330)
Tax effect of additional deduction for research and development expenses	**(167,200)**	(109,446)
Income tax at concessionary rate	**(152)**	(3,900)
Deferred tax on withholding tax arising from PRC subsidiaries	**11,115**	7,376
Tax effect of intra group restructuring	**44,644**	—
Tax effect on changes in fair value of investment properties in Mainland China	**(7,285)**	(3,120)
Withholding tax on distributed earnings	**3,936**	6,212
Income tax expenses for the year	**68,239**	23,831

Note: The EIT rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

At the end of the reporting period, the Group had unused tax losses of RMB879,528,000 (2022: RMB522,708,000), subject to approval of relevant tax authorities, available for offset against future profits. No deferred tax asset has been recognised in respect of such losses at the end of the reporting period, due to the unpredictability of future profit streams.

According to the regulations of the State Administration of Taxation of PRC in 2018, enterprises with qualifications for high-tech enterprises or qualified small and medium-sized technology enterprises can utilise the tax losses incurred during the five years prior to the qualification year in future, the longest period is 10 years.

Tax losses of RMB485,404,000 (2022: RMB478,004,000) will expire in various years before 2033 (2022: 2032). Other tax losses may be carried forward indefinitely.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2023 RMB'000	2022 RMB'000
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		
– audit service	**2,060**	2,700
– non-audit service	**—**	1,236
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 (Note 11)	**13,674**	7,507
Other staff costs		
Salaries and other benefits	**2,009,383**	1,742,374
Share-based payments	**26,736**	114
Retirement benefits schemes contributions	**278,467**	226,896
	2,314,586	1,969,384
Cost of inventories recognised as expense in cost of sales	**2,743,322**	2,600,227
Interest expense on:		
Lease liabilities	**1,481**	1,081
Discounted bills	**2,512**	2,317
Amount due to an associate	**2,374**	—
	6,367	3,398

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and disclosure requirements of CO, are as follows:

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment RMB'000	Total RMB'000
For the year ended 31 December 2023					
Executive Directors (note i)					
Wang Xingshan (note ii)	—	6,137	105	525	6,767
Wang Yusen	—	2,394	98	219	2,711
Cui Hongzhi	—	3,457	85	438	3,980
Non-Executive Director (note iv)					
Li Chunxiang	—	—	—	—	—
Independent Non Executive Directors (note vi)					
Wong Lit Chor, Alexis	108	—	—	—	108
Zhang Ruijun	54	—	—	—	54
Ding Xiangqian	54	—	—	—	54
General Manager					
Wei Daisen	—	3,624	164	394	4,182
Total	216	15,612	452	1,576	17,856

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

		Other emoluments			
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2022					
Executive Directors (note i)					
Wang Xingshan (note ii)	—	2,705	96	—	2,801
Wang Yusen	—	1,206	96	—	1,302
Cui Hongzhi	—	2,799	79	—	2,878
Jin Xiaozhou, Joe (note iii)	—	286	33	—	319
Non-Executive Director (note iv)					
Li Chunxiang	—	—	—	—	—
Dong Hailong (note v)					
Independent Non Executive Directors (note vi)					
Wong Lit Chor, Alexis	103	—	—	—	103
Zhang Ruijun	52	—	—	—	52
Ding Xiangqian	52	—	—	—	52
General Manager					
Wei Daisen	—	1,955	152	—	2,107
Total	207	8,951	456	—	9,614

Notes:

i The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

ii Wang Xingshan resigned as Executive Director on 1 February 2024.

iii Jin Xiaozhou, Joe resigned as Executive Director on 30 April 2022.

iv The non-executive director's emoluments shown above were mainly for their services as directors of the Company.

v Dong Hailong resigned as Non-executive Director on 30 April 2022.

vi The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the year ended 31 December 2023, 1,800,000 (2022: nil) share options were granted to directors and Chief Executive of the Company in respect of their services to the Group under the Option Scheme (as defined in Note 34).

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

12. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the Group, three (2022: three) directors and chief executive of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining two (2022: two) highest paid individuals were as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	**5,565**	3,366
Share-based payment	**550**	—
Retirement benefit scheme contributions	**158**	179
	6,273	3,545

Their remuneration were within the following bands:

	2023 No. of employees	2022 No. of employees
HK$1,500,001 to HK$2,000,000	**—**	1
HK$2,000,001 to HK$2,500,000	**—**	1
HK$3,000,001 to HK$3,500,000	**2**	—
HK$3,500,001 to HK$4,000,000	**—**	—
HK$4,000,001 to HK$4,500,000	**—**	—
	2	2

During the year ended 31 December 2023, 650,000 (2022: nil) share options were granted to non-director and non-chief executive highest paid individuals.

No remuneration was paid by the Group to any individuals of the five highest paid individuals or directors as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

13. DIVIDEND

Subsequent to the end of the reporting period, a final dividend of HK$0.03 in respect of the year ended 31 December 2023 (2022: HK$0.02) per ordinary share, amounting to HK$334,258,000, equivalent to RMB309,498,000 (2022: HK$22,838,000, equivalent to RMB20,548,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. 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 RMB'000	2022 RMB'000
Earnings		
Profit for the year attributable to the owners of the Company	201,630	118,690

	2023 '000	2022 '000
Number of shares		
Number of 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	219	120
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,142,139	1,142,040

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building RMB'000	Leasehold improvements RMB'000	Specialised equipment RMB'000	Machinery and equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2022	335,964	83,073	7,481	90,901	37,604	1,331	556,354
Additions	—	3,574	121	26,930	1,219	—	31,844
Acquired on acquisition of a subsidiary	—	433	—	31	—	—	464
Transfer from investment properties	11,026	1,038	—	—	—	—	12,064
Disposals/written off	—	—	—	(3,415)	(9,379)	(111)	(12,905)
Exchange adjustments	645	24	—	—	—	—	669
At 31 December 2022	**347,635**	**88,142**	**7,602**	**114,447**	**29,444**	**1,220**	**588,490**
Additions	**—**	**1,863**	**8,187**	**16,051**	**712**	**—**	**26,813**
Transfer from investment properties	**34,770**	**—**	**—**	**—**	**—**	**—**	**34,770**
Transfer to investment properties	**(112,356)**	**(3,116)**	**—**	**—**	**—**	**—**	**(115,472)**
Disposals/written off	**—**	**—**	**—**	**(56,942)**	**(61)**	**(1,220)**	**(58,223)**
Exchange adjustments	**274**	**—**	**—**	**—**	**—**	**—**	**274**
At 31 December 2023	**270,323**	**86,889**	**15,789**	**73,556**	**30,095**	**—**	**476,652**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	48,404	52,332	6,937	51,823	28,012	1,174	188,682
Charge for the year	8,213	9,475	658	17,854	621	41	36,862
Eliminated on disposal/written off	—	—	—	(2,462)	(9,063)	(111)	(11,636)
Exchange adjustments	157	24	—	—	—	—	181
At 31 December 2022	**56,774**	**61,831**	**7,595**	**67,215**	**19,570**	**1,104**	**214,089**
Charge for the year	**5,745**	**9,829**	**146**	**16,855**	**808**	**35**	**33,418**
Transfer to investment properties	**(21,687)**	**(2,885)**	**—**	**—**	**—**	**—**	**(24,572)**
Eliminated on disposals/written off	**—**	**—**	**—**	**(42,095)**	**(3)**	**(1,139)**	**(43,237)**
Exchange adjustments	**114**	**—**	**—**	**—**	**—**	**—**	**114**
At 31 December 2023	**40,946**	**68,775**	**7,741**	**41,975**	**20,375**	**—**	**179,812**
CARRYING VALUES							
At 31 December 2023	229,377	18,114	8,048	31,581	9,720	—	296,840
At 31 December 2022	290,861	26,311	7	47,232	9,874	116	374,401

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated, after taking into account of their estimated residual values, on a straight-line basis at the following rates per annum:

Leasehold land and building	Over the shorter of the term of the lease and 15 - 50 years
Leasehold improvements	10% - 25%
Specialised equipment	20% - 25%
Machinery and equipment	10% - 25%
Furniture, fixtures and office equipment	10% - $33^1/_3$%
Motor vehicles	10% - 20%

The leasehold land and building held by the Group is situated in Hong Kong. As the leasehold interest in land cannot be allocated reliably between the land and building elements, the leasehold interest in land continued to be accounted for as property, plant and equipment.

16. 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 4 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.

	RMB'000
FAIR VALUE	
At 1 January 2022	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	1,623
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	**536**
At 31 December 2023	**790,072**

16. INVESTMENT PROPERTIES (continued)

All of the Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2023 was approximately RMB790,072,000 (2022: RMB747,920,000). The fair value has been arrived at based on a valuation carried out by a firm of professional valuer not connected with the Group.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2023 and 2022 are as follows:

	At 31 December 2023		At 31 December 2022	
	Level 3 RMB'000	Fair value RMB'000	Level 3 RMB'000	Fair value RMB'000
Commercial property units located				
– Hong Kong	**20,045**	**20,045**	20,760	20,760
– Jinan	**373,000**	**373,000**	413,700	413,700
– Beijing - Tianyuan Network	**386,745**	**386,745**	302,500	302,500
– Beijing - Zhengzhou Hualiang	**5,164**	**5,164**	5,200	5,200
– Changsha - Zhengzhou Hualiang	**2,623**	**2,623**	2,740	2,740
– Changchun - Zhengzhou Hualiang	**2,495**	**2,495**	3,020	3,020
	790,072	**790,072**	747,920	747,920

16. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Office premises located in Jinan	Level 3	Income capitalisation approach Key inputs are: – Capitalisation rates – Market rent of comparable properties	Key and unobservable inputs are: – Capitalisation rate: 6% (2022: 5.30% - 5.9%) – Market rent of comparable properties ranged from monthly amounts RMB74.40 to RMB80.60 (2022: RMB59.40 to RMB71.25) per square meter, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the capitalisation rate, the lower the fair value. – The higher the market rent, the higher the fair value.
Office premises located in Beijing - Tianyuan Network	Level 3	Income capitalisation approach Key inputs are: – Capitalisation rates – Market rent of comparable properties	Key and unobservable inputs are: – Capitalisation rate: 5.00% - 6% (2022: 4.80% - 5.4%) – Market rent of comparable properties ranged from monthly amounts of RMB148.80 to RMB155.00 (2022: RMB135.00 to RMB160.00) per square meter for office building and RMB700.00 to RMB900.00 (2022: 569.00 to RMB640.00) for every parking lot, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the capitalisation rate, the lower the fair value. – The higher the market rent, the higher the fair value.

16. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Office premises located in Hong Kong	Level 3	Comparative approach Key input is recent market prices of comparable properties	Key and unobservable input is recent market unit rate of comparable properties, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the market price, the higher the fair value.
Office premises located in Beijing - Zhengzhou Hualiang	Level 3	Comparative approach Key input is recent market prices of comparable properties	Key and unobservable input is recent market unit rate of comparable properties, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the market price, the higher the fair value.
Office premises located in Changsha - Zhengzhou Hualiang	Level 3	Comparative approach Key input is recent market prices of comparable properties	Key and unobservable input is recent market unit rate of comparable properties, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the market price, the higher the fair value.
Office premises located in Changchun – Zhengzhou Hualiang	Level 3	Comparative approach Key input is recent market prices of comparable properties	Key and unobservable input is recent market unit rate of comparable properties, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the market price, the higher the fair value

There has been no change from the valuation technique used during both years. In estimating the fair value of the investment properties for disclosure purpose, the highest and the best use of the investment properties is their current use.

There were no transfers into or out of level 3 during both years.

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
Carrying amount at 1 January 2022	41,061	23,821	64,882
Additions	—	20,987	20,987
Transfer from investment properties	436	—	436
Depreciation charge	(1,108)	(19,148)	(20,256)
Exchange adjustments	—	295	295
Carrying amount at 31 December 2022	40,389	25,955	66,344
Additions	—	31,853	31,853
Transfer to investment properties	(13,324)	—	(13,324)
Depreciation charge	(764)	(28,420)	(29,184)
Carrying amount at 31 December 2023	**26,301**	**29,388**	**55,689**

	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	**18,784**	29,055
Total cash outflow for leases	**52,184**	51,981

For both years, the Group leases various lands and offices for its operations. Lease contracts are entered into for fixed term of 1 month to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2023, the Group entered into a number of renewal lease agreements in respect of renting properties and recognised right-of-use assets of RMB31,853,000 (2022: RMB20,987,000) and lease liabilities of RMB31,853,000 (2022: RMB20,248,000).

Restrictions or covenants on leases

In addition, lease liabilities of RMB20,182,000 (2022: RMB20,248,000) are recognised with related right-of-use assets of RMB29,388,000 (2022: RMB25,955,000) as at 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. OTHER INTANGIBLE ASSETS

	Software RMB'000	Customers base RMB'000	Copyrights and trademarks RMB'000	Total RMB'000
COST				
At 1 January 2022	90,080	46,817	5,419	142,316
Additions	4,850	—	—	4,850
Acquired on acquisition of a subsidiary	850	—	—	850
Exchange adjustments	—	3,877	—	3,877
At 31 December 2022	**95,780**	**50,694**	**5,419**	**151,893**
Additions	**14,843**	**—**	**—**	**14,8473**
At 31 December 2023	**110,623**	**50,694**	**5,419**	**166,736**
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2022	47,725	46,817	5,419	99,961
Addition	14,055	—	—	14,055
Exchange adjustments	—	3,877	—	3,877
At 31 December 2022	**61,780**	**50,694**	**5,419**	**117,893**
Addition	**15,215**	**—**	**—**	**15,215**
At 31 December 2023	**76,995**	**50,694**	**5,419**	**133,108**
CARRYING AMOUNTS				
At 31 December 2023	33,628	—	—	33,628
At 31 December 2022	34,000	—	—	34,000

Except for copyrights and trademarks, the above intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Software	4 - 5 years
Customers base	10 years

Copyrights have a legal life of 25 years but is renewable every 25 years at minimal cost. Trademarks have a legal life of 10 years but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew copyrights and trademarks continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that copyrights and trademarks have no foreseeable limit to the period over which the copyrighted and trademarked products are expected to generate net cash flows for the Group.

As a result, copyrights and trademarks are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. Copyrights and trademarks will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

19. EQUITY INSTRUMENT AT FVTOCI

	2023 RMB'000	2022 RMB'000
Unlisted investment:		
Equity securities		
At 1 January	—	28,000
Fair value change	—	(39)
Disposal	—	(27,961)
At 31 December	—	—

The unlisted equity investment represented the Group's equity interest in a private entity established in the PRC. The directors of the Company had elected to designate this investment as equity instrument at FVTOCI upon the adoption of HKFRS 9 as the investment was not held for trading and not expected to be sold in the foreseeable future. The above equity investment was held by Shandong Inspur Genersoft Information Technology Co., Ltd ("Genersoft Information"), a subsidiary of the Company. On 27 May 2022, the Group disposed the entire equity interest of Genersoft Information as set out in Note 37.

20. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Cost of investments in associates - unlisted	**420,000**	200,000
Share of post-acquisition profits, net of dividends received	**25,281**	17,604
	445,281	217,604

20. INTERESTS IN ASSOCIATES (continued)

As at 31 December 2023 and 2022, the Group had interest in the following associates:

Name of entities	Form of business structure	Country of registration and operation	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activities
			2023	2022	**2023**	2022	
Inspur Group Finance Co., Ltd ("Inspur Finance") 浪潮集團財務有限公司	Domestic limited liability company ("DLLC")	PRC	**20%**	20%	**20%**	20%	Providing financial services to Inspur Group Co., Ltd and its subsidiaries
Inspur Industrial Innovation (Shandong) Infrastructure Construction Co., LTD# ("Inpur Gongchuang") 浪潮工創(山東)基礎設施建設有限公司 (note i)	Domestic limited liability company ("DLLC")	PRC	**20%**	20%	**20%**	20%	Providing construction services, value-added telecommunication services for communications and internet domain name registration services

\# The English names of the associates are for identification purpose only.

Note i: As of 31 December 2023, the Group had not actually invested in the affiliated company, Inspur Gongchuang.

Summarised financial information of the associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

Inspur Finance

	2023 RMB'000	2022 RMB'000
Current assets	**4,848,947**	8,364,367
Non-current assets	**8,211,808**	4,284,850
Current liabilities	**(10,833,701)**	(11,561,197)
Non-current liabilities	**(649)**	—
Revenue	**347,999**	156,372
Profit and total comprehensive income for the year	**38,038**	31,175

20. INTERESTS IN ASSOCIATES (continued)

Inspur Finance (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements is set out below:

	2023 RMB'000	2022 RMB'000
Net assets of Inspur Finance	**2,226,405**	1,088,020
Proportion of the Group's ownership interest in Inspur Finance	**20%**	20%
The Group's share of net assets of Inspur Finance	**445,281**	217,604

21. INTEREST IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Cost of investment in a joint ventures - unlisted	**150,000**	150,000
Share of post-acquisition losses	**(12,692)**	(13,733)
	137,308	136,267

As at 31 December 2023 and 2022, the Group had interest in the following joint venture:

Name of entity	Form of business structure	Country of registration and operation	Proportion of nominal value of registered capital held by the Group	Proportion of voting power held	Principal activity
Shandong Inspur Cloud Computing Industry Investment Co., Ltd. ("Inspur Cloud")# 山東浪潮雲海雲計算產業投資有限公司	Sino-foreign owned enterprise	PRC	33.33%	33.33%	Properties investment, provision of consultation, research and development services and trading of computer components

The English name of the joint venture is for identification purpose only.

21. INTEREST IN JOINT VENTURES (continued)

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs. The joint venture is accounted for using the equity method in these consolidated financial statements.

	2023 RMB'000	2022 RMB'000
Current assets	**396,271**	446,118
Non-current assets	**27,392**	30,651
Current liabilities	**(12,977)**	(53,129)
Non-current liabilities	**—**	(18)
Non-controlling interest of Inspur Cloud's subsidiary	**1,238**	(14,821)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**91,481**	95,097

	2023 RMB'000	2022 RMB'000
Revenue	**3,795**	113,803
Profit and total comprehensive income for the year	**3,123**	135,049

Reconciliation of the above summarised financial information to the carrying amount of the investment in the joint venture recognised in the consolidated financial statements is set out below:

	2023 RMB'000	2022 RMB'000
Net assets attributable to owners of the Inspur Cloud	**411,924**	408,801
Proportion of the Group's ownership interest in Inspur Cloud	**33.33%**	33.33%
Carrying amount of the Group's interest in Inspur Cloud	**137,308**	136,267

22. INVENTORIES

	2023 RMB'000	2022 RMB'000
Computer equipment and software products	**1,494**	438

23. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade and bills receivables		
– contracts with customers	**1,699,610**	1,116,227
Less: Allowance for credit losses	**(94,381)**	(63,695)
Total trade and bills receivables	**1,605,229**	1,052,532

The following is an aged analysis of trade and bills receivables net of allowance for credit losses presented based on the invoice date (or date of revenue recognition, if earlier) at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
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
	1,605,229	1,052,532

As at 31 December 2023, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB541,284,000 (2022: RMB422,750,000) which are past due as at the reporting date. Out of the past due balances, RMB292,357,000 (2022: RMB202,757,000) has been past due 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are considered recoverable.

Movement in the allowance for credit losses:

	2023 RMB'000	2022 RMB'000
1 January	**63,695**	49,935
Impairment losses recognised	**48,519**	16,087
Impairment losses reversed	**(11,810)**	(103)
Write-offs	**(6,023)**	(2,224)
31 December	**94,381**	63,695

Details of impairment assessment of trade and bills receivables for the year ended 31 December 2023 are set out in Note 39.

24. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
CONTRACT ASSETS		
Current - software development	**824,391**	363,677
CONTRACT LIABILITIES		
Current - software development	**(1,427,669)**	(1,076,509)

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

	2023 RMB'000	2022 RMB'000
Software development contracts		
Revenue recognised that was included in the contract liability balance at the beginning of the year	**378,861**	595,699

Typical payment terms which have impact on the amount of contract assets recognised are as follows:

Software development

The Group's software development contracts include payment schedules which require stage payments over the development period once certain specified milestones are reached. The Group requires certain customers to provide deposits at 20% - 50% of total contract sum as part of its credit risk management policies. Contract assets are transferred to trade and bills receivables when rights in consideration become unconditional other than passage of time.

The Group also typically agrees to a retention period ranging from 6 months to 1 year for 10% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on that there are no warranty issues after the retention period. The Group classifies these contract assets as current because the Group expects to realise them within 1 year.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Software development

When the Group receives a deposit before the software development activity commences, this gives rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 20% - 50% depositon acceptance of orders.

25. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

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

The amounts due from fellow subsidiaries and ultimate holding company which are non-trading in nature are unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the balances are expected to be recoverable within twelve months from the end of the reporting period. Details of impairment assessment are set out in Note 39.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carried interest at market rates which range from 0% to 1.61% (2022: 0% to 1.75%) per annum.

At 31 December 2023, pledged bank deposits represented deposits pledged to banks to secure bank acceptance bills and general banking facilities granted to the Group. The pledged bank deposits carry interest at market rates which range from 0% to 2.75% (2022: 0% to 2.75%) per annum.

27. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
0-60 days	**892,091**	493,462
61-90 days	**7,933**	32,197
More than 90 days	**298,837**	72,349
	1,198,861	598,008

28. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	2023 RMB'000	2022 RMB'000
Salaries, welfare and bonus payable	**603,507**	474,106
Other tax payable	**125,367**	94,224
Others	**91,720**	77,956
	820,594	646,286

29. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	**13,896**	12,322
Within a period of more than one year but not more than two years	**5,459**	4,852
Within a period of more than two years but not more than five years	**827**	3,074
	20,182	20,248
Less: Amount due for settlement with 12 months shown under current liabilities	**(13,896)**	(12,322)
Amount due for settlement after 12 months shown under non-current liabilities	**6,286**	7,926

The weighted average incremental borrowing rates applied to lease liabilities range from 4.35% to 4.90% (2022: from 4.35% to 4.90%).

30. PROVISIONS

	2023 RMB'000	2022 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**7,910**	12,551

	2023 RMB'000	2022 RMB'000
1 January	**12,551**	26,360
Additional provision in the year	**2,407**	2,810
Utilisation of provision	**(7,048)**	(16,619)
31 December	**7,910**	12,551

The amount represents provision for onerous contracts recognised in cost of sales.

31. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	2023 RMB'000	2022 RMB'000
Trading in nature		
Fellow subsidiaries	**201,447**	220,575
Ultimate holding company	**834**	568
	202,281	221,143
Non-trading in nature		
Fellow subsidiaries	**17,369**	3,402
Ultimate holding company	**338**	399
	17,707	3,801
Total amounts due to related companies	**219,988**	224,944
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	**219,988**	224,944

The amounts due to fellow subsidiaries and ultimate holding company which are non-trading in nature are unsecured, interest-free and repayable on demand.

32. AMOUNTS DUE TO AN ASSOCIATE

As at 31 December 2023, the amount due to an associate was the unsecured borrowings which carry fixed interest rate at 3.65% per annum. The loan is repayable in one year.

33. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2023	2022	**2023**	2022
	'000	'000	**RMB'000**	RMB'000
Ordinary shares of HK$0.01 each:				
Authorised				
At beginning and end of year	**2,000,000**	2,000,000	**15,806**	15,806
Issued and fully paid				
At beginning and end of year	**1,141,920**	1,141,920	**10,796**	10,796

Equity-settled share options scheme

The Share Option Scheme (the "Option Scheme") of the Company were adopted by the Company pursuant to the written resolutions of all shareholders passed on 10 November 2008 and 15 November 2018 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. The Option Scheme shall be valid and effective for a period of ten years after the date of its adoption. Under the Option Scheme, the board of directors of the Company may grant options to eligible participants including employees, executives or officers and directors (including executive and non-executive directors) of the Company or any of its subsidiaries, and any suppliers, consultants and advisers who will contribute or have contributed to the Group to subscribe for shares in the Company.

At 31 December 2023, the number of share options had been granted and remained outstanding under the Option Schemes are 33,875,100 shares (2022: 1,316,000 shares) representing less than 4% (2022: less than 1%) of the issued share capital of the Company.

34. SHARE OPTION SCHEMES

Equity-settled share options scheme

The total number of shares in respect of which options may be granted under the Option Schemes is not permitted to exceed 10% of the shares of the Company of the adoption date of the Option Scheme unless prior approval from the Company's shareholders in general meeting has been obtained. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Option Schemes and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares in respect of which options may be granted to any eligible participant in any twelve-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, unless prior approval from the Company's shareholders in general meeting has been obtained. Options granted to substantial shareholder or an independent non-executive director of the Company in excess of 0.1% of the Company's share in issue and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders in general meeting.

There is no general requirement that an option must be held to any minimum period before it can be exercised but the board of directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. Options offered must be taken up not later than 28 days after the date of offer. A non-refundable remittance of HK$1 is payable as consideration by the grantee upon acceptance of every grant of option under the Option Scheme. The period during which an option may be exercised will be determined by the board of directors at its absolute discretion, save that such period of time shall not exceed a period of ten years commencing on the date which the option is granted. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the closing price of the share on the Stock Exchange's daily quotation sheet on the date of offer; (ii) the average closing price of the shares on the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer and (iii) the nominal value of a share of the Company.

2018 Option

On 16 October 2018, a total of 30,000,000 share options were granted to certain employees and directors of the Group under the option scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$3.16 per share.

34. SHARE OPTION SCHEMES (continued)

Equity-settled share options scheme (continued)

2018 Option (continued)

Scenario 1

Among the options granted above, 600,000 share options were granted to certain independent directors. One third of the options may be exercisable from 16 October 2018, another one third of the options may be exercisable from 16 October 2019, and the remaining options may be exercisable from 16 October 2020. All options will be vested on the first day of respective exercise period.

Scenario 2

4,600,000 share options were granted to certain executive directors and the remaining 12,900,000 share options were granted to certain employees. All options may be exercisable from 16 October 2018. The exercise of the options is subject to the Company meeting the market capital determined by the share price. All options will be vested on the first day of respective exercise period.

Scenario 3

2,625,000 share options were granted to certain executive directors and the remaining 9,275,000 share options were granted to certain employees. 50% of the share options may be exercisable from 1 January 2019, 30% of the share options may be exercisable from 1 January 2020, and the remaining 20% of the share options may be exercisable from 1 January 2021. The exercise of the options is subject to the grantee meeting the performance target determined by the board of the Company. All options will be vested on the first day of respective exercise period.

The estimated fair value of the options granted on 16 October 2018 is RMB36,035,000.

2020 Option

On 28 August 2020, a total of 2,400,000 share options were granted to certain employees under the option scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$2.29 per share.

All 2,400,000 share options were granted to certain employees. 35% of the share options may be exercisable from 1 April 2021, 35% of the share options may be exercisable from 1 April 2022, and the remaining 30% of the share options may be exercisable from 1 April 2023. The exercise of the options is subject to the grantee meeting the performance target determined by the board of the Company. All options will be vested on the first day of respective exercise period.

The estimated fair value of the options granted on 28 August 2020 is RMB1,998,000.

34. SHARE OPTION SCHEMES (continued)

Equity-settled share options scheme (continued)

2023 Option

On 11 January 2023, a total of 33,440,000 share options were granted to certain directors and employees under the option scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$4.72 per share.

All 33,440,000 share options were granted to certain directors and employees. 40% of the share options may be exercisable from 11 January 2025, 30% of the share options may be exercisable from 11 January 2026, and the remaining 30% of the share options may be exercisable from 11 January 2027. The exercise of the options is subject to the grantee meeting the performance target determined by the board of the Company. All options will be vested on the first day of respective exercise period.

The estimated fair value of the options granted on 11 January 2023 is HK$88,008,328.

The fair value was calculated using the Binomial model. The inputs into the model were as follows:

	2023 Option	2020 Option	2018 Option
Share price	HK$4.72	HK$2.29	HK$3.05
Exercise price	HK$4.72	HK$2.29	HK$3.16
Expected volatility	70.89%	43.57%	46.37%
Expected life	5 years	10 years	10 years
Risk - free rate	3.21%	0.52%	2.48%
Expected dividend yield	—	—	1.14%

Expected volatility was determined by using the historical volatility of the Company's share price over the expected term of the options. The expected term used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Details of specific categories of options as at 31 December 2023 are as follows:

	Date of grant	Exercise period	Weighted average fair value HK$	Exercise price HK$
2018 Option	Scenario 1: Options granted to independent directors			
	16 October 2018	16 October 2018 to 15 October 2028	**1.45**	**3.16**
	16 October 2018	16 October 2019 to 15 October 2028	**1.45**	**3.16**
	16 October 2018	16 October 2020 to 15 October 2028	**1.47**	**3.16**
2020 Option	28 August 2020	1 April 2021 to 27 August 2030	**0.94**	**2.29**
	28 August 2020	1 April 2022 to 27 August 2030	**0.96**	**2.29**
	28 August 2020	1 April 2023 to 27 August 2030	**0.98**	**2.29**
2023 Option	11 January 2023	11 January 2025 to 10 January 2026	**2.48**	**4.72**
	11 January 2023	11 January 2026 to 10 January 2027	**2.67**	**4.72**
	11 January 2023	11 January 2027 to 10 January 2028	**2.80**	**4.72**

34. SHARE OPTION SCHEMES (continued)

Equity-settled share options scheme (continued)

2023 Option (continued)

The following table discloses details of the Company's share options held by directors and employees and movements in such holdings during the years ended 31 December 2023 and 2022:

	Outstanding at 1 January 2023	Granted during the year 2023	Forfeited during the year 2023	Outstanding at 31 December 2023
2018 Option	600,000	—	—	600,000
2020 Option	716,000	—	60,900	655,100
2023 Option	—	33,440,000	820,000	32,620,000
	1,316,000	33,440,000	880,900	33,875,100
Weighted average exercise price	HK$2.69	HK$4.72	—	HK$4.64

No share options were exercised for the year ended 31 December 2023. In respect of the share options exercised for the year ended 31 December 2022, the weighted average share price at the dates of exercise was HK$2.63.

The number of share options exercisable at the end of reporting period was 1,255,100 (2022: 1,076,000). Details of the share options held by the directors included in the above table are as follows:

	Outstanding at 1 January 2023	Exercised during the year 2023	Forfeited during the year 2023	Outstanding at 31 December 2023
2018 Option	600,000	—	—	600,000
	600,000	—	—	600,000

The Group recognised the total expense of RMB27,918,000 (2022: RMB114,000) for the year ended 31 December 2023 in relation to share options granted by the Company.

For 2020 Option, the number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 16.25% of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted.

35. DEFERRED INCOME - GOVERNMENT GRANTS

Subsidiaries of the Company receive grants from the PRC government authorities for funding certain development projects undertaken by the subsidiaries. When the project is completed, the relevant PRC government authorities will evaluate the project results. If the subsidiaries of the Company are unable to fulfil the conditions set out by the PRC government authorities, the related grants would be returned to the PRC government authorities.

The current portion of the deferred income - government grants represents grants received related to projects expected to be completed and fulfil the conditions within one year from the end of the reporting period. For those related to projects expected to be completed and fulfil all the conditions more than one year from the end of the reporting period, they are included as non-current portion.

36. DEFERRED TAX

The following are the deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Withholding tax arising from PRC subsidiaries RMB'000	Revaluation of property, plant and equipment RMB'000	Fair Value adjustment of business combination RMB'000	Revaluation of investment properties RMB'000	Equity at FVTOCI RMB'000	Total RMB'000
At 1 January 2022	(37,431)	(3,342)	(47,247)	(113,889)	(2,507)	(204,416)
Disposal of a subsidiary (Note 37)	—	—	—	—	2,498	2,498
(Charged) credited to profit or loss	(7,376)	(409)	1,492	7,073	—	780
Credited to other comprehensive income	—	—	—	—	9	9
At 31 December 2022	**(44,807)**	**(3,751)**	**(45,755)**	**(106,816)**	**—**	**(201,129)**
(Charged) credited to profit or loss	**(11,115)**	**4,040**	**—**	**(13,145)**	**—**	**(20,220)**
Charged to other comprehensive income	**—**	**—**	**—**	**(195)**	**—**	**(195)**
Transfer from property, plant and equipment to investment properties	**—**	**—**	**45,755**	**(45,755)**	**—**	**—**
At 31 December 2023	**(55,922)**	**289**	**—**	**(165,911)**	**—**	**(221,544)**

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences relating to the undistributed profits of certain PRC subsidiaries amounting to approximately RMB612,413,000 (2022: RMB139,489,000) as the Company controls the dividend policy of these subsidiaries and it is probable that the profits will not be distributed in the foreseeable future.

37. DISPOSAL OF A SUBSIDIARY

On 27 May 2022, the Group disposed of a subsidiary, Genersoft Information. The net assets of Genersoft Information at the date of disposal were as follows:

Consideration received:	RMB'000
Cash received and total consideration received	25,986

Analysis of assets and liabilities over which control was lost:	27 May 2022 RMB'000
Equity instrument at FVTOCI	27,961
Bank balances and cash	542
Deferred tax liabilities	(2,498)
Net assets disposed of	26,005
Loss on disposal of a subsidiary:	
Consideration received	25,986
Net assets disposed of	(26,005)
Loss on disposal	(19)
Net cash inflow arising on disposal:	
Cash consideration	25,986
Less: bank balances and cash disposed of	(542)
	25,444

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and new share issues.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Debt instruments at FVTOCI	**15,453**	43,548
Financial assets at amortised cost	**3,422,947**	2,678,974
Financial liabilities		
Amortised cost	**2,260,077**	1,375,014

(b) Financial risk management objectives and policies

The Group's major financial instruments include debt instruments at FVTOCI, trade and bills receivables, other receivables, amounts due from ultimate holding company and fellow subsidiaries, pledged bank deposits and bank balances and cash, trade payables, other payables and amounts due to ultimate holding company, fellow subsidiaries and an associate. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group collects most of its revenue in RMB, HK$ and United States Dollar ("USD") and incurs most of the expenditures as well as capital expenditures in RMB, HK$ and USD. The directors consider that the Group's foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in functional currency of each individual group entity.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Relative to RMB:				
USD	—	3	—	—
Other currencies	—	3	—	—
Relative to HK$:				
USD	**56,886**	21,396	—	—
RMB	—	235	—	—
Other currencies	**25,171**	8,462	—	—

Sensitivity analysis

For the entities of which their functional currency is HK$ while holding assets denominated in USD, the directors of the Company consider that, as HK$ is pegged to USD, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against USD and hence only consider the sensitivity of the change in foreign exchange rate of HK$ against currencies other than USD. The sensitivity analysis includes only outstanding monetary items which are denominated in relevant foreign currencies and adjusts its translation at the yearend for a 5% change in the relevant foreign currency exchange rates. A positive number below indicates an increase in post-tax profit for the year where the relevant foreign currencies strengthens 5% against the functional currency of each group entities. For a 5% weakening of the relevant foreign currencies against the relevant currencies, there would be an equal and opposite impact on the post-tax profit for the year. 5% (2022: 5%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates.

Impact on post-tax profit for the year	**2023 RMB'000**	2022 RMB'000
Other currencies impact	**944**	326

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (Note 29) and amount due to an associate (Note 32). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is primarily related to its bank balances and pledged bank deposits and debt instruments at FVTOCI carried at prevailing market rate. In addition, the Group has concentration of interest rate risk on its floating rate bank balances which expose the Group significantly towards the change in the People's Bank of China's interest rate.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to the variable-rate bank balances in the PRC. The analysis is prepared assuming the PRC bank balances outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points (2022: 10 basis points) increase or 10 basis points (2022: 10 basis points) decrease is used, which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points (2022: 10 basis points) higher or 10 basis points (2022: 10 basis points) lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would increase by RMB972,000 (2022: RMB916,000) and decrease by RMB972,000 (2022: RMB916,000), respectively.

Credit risk and impairment assessment

As at 31 December 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by the counterparties is arising from the carrying amount of those assets as stated in the consolidated statement of financial position. Credit risk is primarily attributable to trade and bills receivables, other receivables, amounts due from related parties, contract assets, pledged bank deposits and bank balances and cash.

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2023 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals, other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and summarising of the credit-impaired information for further impairment assessment. The Group's trade and bills receivables as at 31 December 2023 are due from a large number of customers, spread across diverse industries. The management closely monitors the subsequent settlement from the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's debt instruments at FVTOCI only comprise bills receivable that are issued and guaranteed by the reputable PRC banks and therefore are considered to be low credit risk.

The Group's pledged bank deposits and bank balances are deposited with banks with high credit ratings and the Group has limited exposure to any single financial institution.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables and contract assets	Other financial assets subject to ECL assessment
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2023 RMB'000	2022 RMB'000
Debt instruments at FVTOCI				
Debt instruments at FVTOCI	Low risk	12m ECL	15,453	43,548
Financial assets at amortised cost				
Trade and bills receivables	N/A (note ii)	Lifetime ECL (provision matrix)	1,678,495	1,080,563
	Loss	Lifetime ECL - credit-impaired	21,115	35,664
			1,699,610	1,116,227
Other receivables and deposits	Low risk (note i)	12m ECL	107,578	90,029
	Doubtful (note i)	Lifetime ECL - not credit-impaired	31,535	13,387
	Loss	Lifetime ECL - credit-impaired	2,101	5,031
			141,214	108,447
Amounts due from related companies – non-trading (Note 25)	Low risk (note i)	12m ECL	54,774	11,139
	Doubtful (note i)	Lifetime ECL - not credit-impaired	233	6,068
	Loss	Lifetime ECL - credit-impaired	113	—
			55,120	17,207
Amounts due from related companies - trading (Note 25)	N/A (note ii)	Lifetime ECL (provision matrix)	343,408	290,781
	Loss	Lifetime ECL - credit-impaired	4,809	6,351
			348,217	297,132
Pledged bank deposits (Note 26)	Low risk	12m ECL	31,654	28,393
Bank balances and cash (Note 26)	Low risk	12m ECL	1,264,504	1,193,170
Other items				
Contract assets (Note 24)	N/A (note ii)	Lifetime ECL (provision matrix)	931,462	440,139
	Loss	Lifetime ECL - credit-impaired	41,616	48,417
			973,078	488,556

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

i. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

ii. For trade and bills receivables, amounts due from related companies – trading in nature and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired receivables, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past-due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment because the debtors consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade and bills receivable and contract assets which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of RMB63,137,000 (2022: RMB84,081,000) as at 31 December 2023 were assessed individually.

Gross carrying amount

	At 31 December 2023		At 31 December 2022	
	Average loss rate	Trade and bills receivable RMB'000	Average loss rate	Trade and bills receivable RMB'000
Current and within 1 year	**1.94%**	1,526,431	**1.22%**	974,778
Over 1 year and within 2 years	**17.57%**	115,963	**12.70%**	95,187
Over 2 years and within 3 years	**67.07%**	30,017	**28.31%**	8,749
More than 3 years	**90.79%**	6,084	**87.36%**	1,849
		1,678,495		1,080,563

	At 31 December 2023		At 31 December 2022	
	Average loss rate	Contract assets RMB'000	Average loss rate	Contract assets RMB'000
Current and within 1 year	**5.92%**	824,419	**5.91%**	306,459
Over 1 year and within 2 years	**19.39%**	45,237	**24.35%**	90,745
Over 2 years and within 3 years	**64.49%**	34,418	**65.55%**	19,516
More than 3 years	**100.00%**	27,388	**100.00%**	23,419
		931,462		440,139

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach.

	Lifetime ECL (not credit -impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2022	11,944	37,991	49,935
Impairment losses recognised	16,087	—	16,087
Impairment losses reversed	—	(103)	(103)
Write-offs (note i)	—	(2,224)	(2,224)
At 31 December 2022	**28,031**	**35,664**	**63,695**
Impairment losses recognised	**45,969**	**2,550**	**48,519**
Impairment losses reversed	**(734)**	**(11,076)**	**(11,810)**
Write-offs (note i)	**—**	**(6,023)**	**(6,023)**
At 31 December 2023	**73,266**	**21,115**	**94,381**

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following tables show reconciliation of loss allowances that has been recognised for other receivables and deposits.

	12m ECL RMB'000	Lifetime ECL (not credit -impaired) RMB'000	Lifetime ECL (credit -impaired) RMB'000	Total RMB'000
At 1 January 2022	1,055	867	5,861	7,783
Impairment loss recognised	182	—	—	182
Impairment losses reversed	—	(1,000)	(599)	(1,599)
Write-offs (note i)	—	—	(231)	(231)
At 31 December 2022	**1,237**	**(133)**	**5,031**	**6,135**
Impairment losses recognised	**6,349**	**1,609**	**430**	**8,388**
Imparment loss reversed	**(83)**	**—**	**(2,829)**	**(2,912)**
Write-offs (note i)	**—**	**—**	**(531)**	**(531)**
At 31 December 2023	**7,503**	**1,476**	**2,101**	**11,080**

The following tables show reconciliation of loss allowances that has been recognised for contract assets.

	Lifetime ECL (not credit -impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
At 1 January 2022	38,757	54,019	92,776
Impairment losses recognised	37,705	—	37,705
Impairment losses reversed	—	(5,602)	(5,602)
At 31 December 2022	**76,462**	**48,417**	**124,879**
Impairment losses recognised	**30,609**	**—**	**30,609**
Impairment losses reversed	**—**	**(6,801)**	**(6,801)**
At 31 December 2023	**107,071**	**41,616**	**148,687**

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following tables show reconciliation of loss allowances that has been recognised for amounts due from related parties which is non-trading in nature.

	12m ECL RMB'000	Lifetime ECL (not credit -impaired) RMB'000	Lifetime ECL (credit -impaired) RMB'000	Total RMB'000
At 1 January 2022	7	255	11	273
Impairment losses recognised	107	59	—	166
Impairment losses reversed	—	—	(21)	(21)
Write-offs	—	—	10	10
At 31 December 2022	**114**	**314**	**—**	**428**
Impairment losses recognised	**1,158**	**1**	**113**	**1,272**
Impairment losses reversed	**—**	**(82)**	**—**	**(82)**
Write-offs (note i)	**—**	**—**	**(113)**	**(113)**
At 31 December 2023	**1,272**	**233**	**—**	**1,505**

The following tables show reconciliation of loss allowances that has been recognised for amounts due from related parties which is trading in nature.

	Lifetime ECL (not credit -impaired) RMB'000	Lifetime ECL (credit -impaired) RMB'000	Total RMB'000
At 1 January 2022	10,684	5,400	16,084
Impairment losses recognised	—	951	951
Impairment losses reversed	(5,691)	—	(5,691)
At 31 December 2022	**4,993**	**6,351**	**11,344**
Impairment losses recognised	**1,649**	**637**	**2,286**
Impairment losses reversed	**(1,045)**	**(2,179)**	**(3,224)**
At 31 December 2023	**5,597**	**4,809**	**10,406**

Note:

i. The Group writes off a trade receivable or other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables or other receivables are over five years past due, whichever occurs earlier.

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains adequate cash and cash equivalents by continuously monitoring forecast and actual cash flows and matching the maturity profiles of certain financial assets (including trade and bills receivables, other receivables, amounts due from ultimate holding company and fellow subsidiaries, pledged bank deposits and bank balances and cash) and certain financial liabilities (including trade payables, other payables and amounts due to ultimate holding company, fellow subsidiaries and an associate) and lease liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment dates. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at 31 December 2023 RMB'000
2023							
Trade payables		811,769	151,230	235,862	—	1,198,861	1,198,861
Other payables		670,305	8,934	15,988	—	695,227	695,227
Amount due to ultimate holding company		1,172	—	—	—	1,172	1,172
Amounts due to fellow subsidiaries		218,816	—	—	—	218,816	218,816
Amount due to an associate	3.65	1,329	147,719	—	—	149,048	146,001
Lease liabilities	4.35-4.90	3,420	4,767	6,676	6,603	21,466	20,182
		1,706,811	312,650	258,526	6,603	2,284,590	2,280,259

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	Repayable on demand or less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount at 31 December 2022 RMB'000
2022							
Trade payables		382,391	47,801	167,816	—	598,008	598,008
Other payables		60,529	1,436	15,991	—	77,956	77,956
Amount due to ultimate holding company		967	—	—	—	967	967
Amounts due to fellow subsidiaries		223,977	—	—	—	223,977	223,977
Lease liabilities	4.35-4.90	1,111	5,913	6,082	8,322	21,428	20,248
		668,975	55,150	189,889	8,322	922,336	921,156

(c) Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value at 31 December 2023 RMB'000	2022 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Debt instruments at FVTOCI	**15,453**	43,548	Level 2	Discounted cash flow – future cash flows discounted at a rate that reflects the credit risk of various counterparties.

Fair value of financial instruments that are recorded at amortised cost

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowing RMB'000	Interest payable included in other payable RMB'000	Amounts due to an associate - non-trading in nature RMB'000	Amounts due to fellow subsidiaries - non-trading in nature RMB'000	Amount due to ultimate holding company - non-trading in nature RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	—	—	—	(9,503)	(973)	(20,274)	(30,750)
Financing cash flows:							
Interest paid	—	2,317	—	—	—	1,081	3,398
Proceeds received from discounted bills	(127,256)	—	—	—	—	—	(127,256)
Repayments of discounted bills	127,256	—	—	—	—	—	127,256
Repayments of lease liabilities	—	—	—	—	—	21,845	21,845
Repayment to ultimate holding company	—	—	—	—	574	—	574
Repayment to fellow subsidiaries	—	—	—	6,101	—	—	6,101
Non-cash changes:							
New leases entered	—	—	—	—	—	(20,248)	(20,248)
Interest expenses	—	(2,317)	—	—	—	(1,081)	(3,398)
Net effect of exchange rate changes	—	—	—	—	—	(1,571)	(1,571)
At 31 December 2022	**—**	**—**	**—**	**(3,402)**	**(399)**	**(20,248)**	**(24,049)**
Financing cash flows:							
Proceeds received from discounted bills	**(143,001)**	**—**	**—**	**—**	**—**	**—**	**(143,001)**
Repayments of discounted bills	**143,001**	**—**	**—**	**—**	**—**	**—**	**143,001**
Interest paid	**—**	**2,512**	**—**	**—**	**—**	**1,481**	**3,993**
Repayments of lease liabilities	**—**	**—**	**—**	**—**	**—**	**31,919**	**31,919**
Repayment to ultimate holding company	**—**	**—**	**—**	**—**	**61**	**—**	**61**
Received from fellow subsidiaries	**—**	**—**	**—**	**(13,967)**	**—**	**—**	**(13,967)**
Borrowings from an associate	**—**	**—**	**(146,001)**	**—**	**—**	**—**	**(146,001)**
Non-cash changes:							
New leases entered	**—**	**—**	**—**	**—**	**—**	**(31,853)**	**(31,853)**
Interest expenses	**—**	**(4,886)**	**—**	**—**	**—**	**(1,481)**	**(6,367)**
At 31 December 2023	**—**	**(2,374)**	**(146,001)**	**(17,369)**	**(338)**	**(20,182)**	**(186,264)**

41. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was RMB40,567,000 (2022: RMB41,099,000). All of these properties have committed tenants for the next year.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2023 RMB'000	2022 RMB'000
Within one year	**14,615**	1,047
In the second year	**14,239**	767
In the third year	**13,807**	474
In the fourth year	**—**	150
	42,661	2,438

42. RETIREMENT BENEFITS SCHEMES

The Company's subsidiaries in Hong Kong operate the Mandatory Provident Fund Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The Group's employees are required to join the scheme. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK$1,500 per employee per month.

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in various central pension schemes operated by the relevant municipal and provincial governments. These subsidiaries are required to make defined contributions to these schemes at a fixed percentage of their covered payroll. The Group has no other obligations for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

The total contributions in respect of the current period charged to consolidated statement of profit or loss amounted to approximately RMB278,751,000 (2022: RMB227,200,000).

During the years ended 31 December 2023 and 2022, the Group had no forfeited contributions under those schemes which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2023 and 2022 under the schemes which may be used by the Group to reduce the contribution payable in future years.

43. RELATED PARTY TRANSACTIONS/BALANCES

Apart from the amounts due from and to related parties as disclosed in Notes 25 and 31, respectively, the Group had entered into the following related party transactions during the year:

	Ultimate holding company		Fellow subsidiaries	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Sales of goods	**2,827**	695	**423,524**	278,811
Services income	**364**	12,553	**675,207**	665,469
Property rental and related management service income	**10,516**	13,302	**33,396**	27,473
Interest income	**—**	—	**6,154**	6,250
Purchase of goods	**3**	5	**397,679**	262,068
Sales commission expenses	**3**	—	**6,672**	6,002
Property rental and related management service expenses	**1,047**	1,545	**12,366**	9,597

All transactions are regarded as connected transactions, pursuant to Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in the "Report of the Directors" section in the annual report.

In addition, during the year ended 31 December 2023, none of operating lease rentals in respect of office premises and staff quarters (2022: RMB4,682,000) were under operating leases signed by ultimate holding company on behalf of subsidiaries of the Group with third parties.

As of 31 December 2023, the balances of deposits with an associate, Inspur Finance, were RMB497,510,000 (2022: RMB438,986,000).

Compensation of key management personnel

The remuneration of directors and chief executives during the year are set out in Note 11, which is determined by the remuneration committee having regard to the performance of individuals and market trends.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Company at 31 December 2023 and 2022 were as follows:

Name of companies	Form of business structure	Place of incorporation/ registration	Class of share held	Paid up issued ordinary share capital/registered capital		Proportion of interest held by the Company				Principal activities
				2023	2022	2023		2022		
						Directly	Indirectly	Directly	Indirectly	
Inspur Shandong Electronics Information Limited 浪潮(山東)電子信息有限公司	Wholly foreign owned enterprises ("WFOE")	PRC	Capital contribution	**USD90,675,000**	USD90,675,000	**–**	**100%**	–	100%	Investment holding
Inspur Worldwide (Shandong) Service Limited 山東浪潮數字服務有限公司	DLLC	PRC	Capital contribution	**RMB101,607,625**	RMB101,607,625	**–**	**100%**	–	100%	Provision of other software services software development services and trading of computer products
Inspur Genersoft# 浪潮通用軟件有限公司	DLLC	PRC	Capital contribution	**RMB300,000,000**	RMB300,000,000	**–**	**100%**	–	100%	Software development
Shandong Inspur Cloud Network Information System Limited 山東浪潮雲網信息系統有限公司	DLLC	PRC	Capital contribution	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Software development
Shandong Inspur Yiyun Online Technology Co., Ltd. 山東浪潮易雲在綫科技有限公司	DLLC	PRC	Capital contribution	**RMB29,680,000**	RMB29,680,000	**–**	**50.18%**	–	50.18%	Software development
Shenzhen Inspur Zaoshangban Cloud Technology Limited 深圳浪潮早上班雲技術有限公司	DLLC	PRC	Capital contribution	**RMB33,000,000**	RMB33,000,000	**–**	**66.52%**	–	64.52%	Software development
Zhengzhou Hualiang 鄭州華糧科技股份有限公司	DLLC	PRC	Capital Contribution	**RMB34,050,000**	RMB34,050,000	**–**	**60%**	–	60%	Software development
Shandong Inspur Financial Software Information Limited 山東浪潮金融軟件信息有限公司	DLLC	PRC	Capital contribution	**RMB35,000,000**	RMB35,000,000	**–**	**85.7%**	–	85.7%	Software development
Inspur Worldwide Services Limited 浪潮全球服務有限公司	Incorporated	Republic of Seychelles	Ordinary	**US$1**	US$1	**–**	**100%**	–	100%	Provision of other software development services
Jinan Inspur Mingda Information Technology Limited 濟南浪潮銘達信息科技有限公司	DLLC	PRC	Capital contribution	**RMB200,000,000**	RMB200,000,000	**–**	**100%**	–	100%	Holding of investment property
Inspur Communications 浪潮通信信息系統有限公司	DLLC	PRC	Capital contribution	**RMB200,000,000**	RMB200,000,000	**–**	**100%**	–	100%	Software development
Tianyuan Network 北京市天元網絡技術股份有限公司	DLLC	PRC	Capital contribution	**RMB66,750,000**	RMB66,750,000	**–**	**100%**	–	100%	Software development

The English name of these PRC incorporated entities are for identification purpose only.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

The above list includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year and at the end of the year.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	At 31 December	
	2023 RMB'000	2022 RMB'000
Non-current Assets		
Property, plant and equipment	6,254	—
Investment properties	20,045	—
Interests in subsidiaries	662,696	662,696
Amounts due from subsidiaries	693,122	704,136
	1,382,117	1,366,832
Current Assets		
Amounts due from fellow subsidiaries	13	13
Amounts due from subsidiaries	8,158	8,158
Bank balances	10,743	2,981
	18,914	11,152
Current Liabilities		
Other payables	9,148	9,897
Amounts due to subsidiaries	326	326
	9,474	10,223
Net Current Assets	9,440	929
Total Assets Less Current Liabilities	1,391,557	1,367,761
Non-current liability		
Amounts due to subsidiaries	95,909	95,909
	1,295,648	1,271,852
Capital and reserves		
Share capital (Note 33)	10,796	10,796
Reserves	1,284,852	1,261,056
Total Equity	1,295,648	1,271,852

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Statement of financial position (continued)

Movement in the Company's share capital and reserves

	Share capital RMB'000	Reserves RMB'000	Total RMB'000
At 1 January 2022	10,796	1,266,077	1,276,873
Loss for the year and total comprehensive income	—	(5,135)	(5,135)
Recognition of equity-settled share-based payment (Note 34)	—	114	114
At 31 December 2022	10,796	1,261,056	1,271,852
Loss for the year and total comprehensive expense	—	(4,122)	(4,122)
Recognition of equity-settled share-based payment (Note 34)	—	27,918	27,918
At 31 December 2023	**10,796**	**1,284,852**	**1,295,648**

46. COMPARATIVES

Certain comparative amounts have been reclassified to conform with current year's presentation.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
RESULTS					
Continuing operations					
Revenue	2,555,158	2,275,168	3,250,401	6,966,590	**8,294,446**
Profit (loss) before tax	170,040	(132,597)	49,943	148,640	**278,664**
Income tax expenses	(1,705)	(15,569)	2,571	(23,831)	**(68,239)**
Profit (loss) for the year from continuing operations	168,335	(148,166)	52,514	124,809	**210,425**
Profit (loss) for the year	168,335	(148,166)	52,514	124,809	**210,425**
Profit (loss) for the year attributable to:					
Owners of the Company	179,056	(139,748)	53,761	118,690	**201,630**
Non-controlling interests	(10,721)	(8,418)	(1,247)	6,119	**8,795**
	168,335	(148,166)	52,514	124,809	**210,425**

	At 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	3,630,759	3,503,874	3,895,514	4,818,029	**6,324,419**
Total liabilities	(1,771,339)	(1,809,832)	(2,138,816)	(2,940,062)	**(4,226,748)**
	1,859,420	1,694,042	1,756,698	1,877,967	**2,097,671**
TOTAL EQUITY					
Equity attributable to owners of the Company	1,812,692	1,655,001	1,719,157	1,837,635	**2,047,564**
Non-controlling interests	46,728	39,041	37,541	40,332	**50,107**
	1,859,420	1,694,042	1,756,698	1,877,967	**2,097,671**

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