浪潮數字企業技術有限公司
INSPUR DIGITAL ENTERPRISE TECHNOLOGY LIMITED

(前稱為Inspur International Limited浪潮國際有限公司)
(Formerly known as Inspur International Limited 浪潮國際有限公司)
(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)

2022
Annual Report
年度報告

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wang Xingshan
Mr. Wang Yusen
Mr. Cui Hongzhi *
Mr. Jin Xiaozhou, Joe*

* Mr. Jin Xiaozhou, Joe resigned as executive director on April 30, 2022 and Mr. Cui Hongzhi was appointed as executive director on April 30, 2022.

NON-EXECUTIVE DIRECTOR

Ms. Li Chunxiang*
Mr. Dong Hailong*

* Mr. Dong Hailong resigned as Non-executive Directors on April 30, 2022 and Ms. Li Chunxiang was appointed as Non-executive Directors on April 30, 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Lit ChorAlexis
Ms. Zhang Ruijun
Mr. Ding Xiangqian

COMPANY SECRETARY

Ms. Chan Wing
Mr. Zou Bo

AUDITORS

Deloitte Touche Tohmatsu
Registered Interest Entity Auditors

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Agriculture Bank of China Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586, Gardenia Court,
Camana Bay, Grand Cayman
KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Rooms 1712-1716, 17th Floor
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REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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MAIN BOARD STOCK CODE

596

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Inspur digital technology enterprise technology Limited (the "Company"), I would like to present the financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022.

FINANCIAL SUMMARY

During the reporting period, the Group recorded a revenue of RMB6,966,590,000 (2021: RMB3,250,401,000), representing 114.3% growth compared with last corresponding period. Profits attributable to owners of the Company for the year were approximately RMB118,690,000 (2021: RMB53,761,000), representing a significant growth comparatively. The net profit for the year increased significantly. Main reasons were: 1) facing the fierce market competition during the period, the operation profit of segment of management software got 111.1% growth comparatively and amounted to RMB$223,699,000 (2021: RMB$105,953,000). 2) the segment profit of IOT got 195.3% growth comparatively to RMB49,154,000 (2021: RMB16,648,000). 3) share of results of associations and a joint venture was RMB51,065,000 (2021: RMB11,540,000), representing a significant increase of 342.5% compared with last year. The above increase in operating profit was offset by the segment loss of the cloud services business. The company's cloud services business revenue maintained a rapid growth, but the market promotion and R&D investment continued to increase, still in a loss state. The segment of cloud service business recorded in loss RMB133,257,000 (2021: loss of RMB108,795,000), increased 22.5% comparatively.

Basic earnings per share attributable to owners of the Company during the year were approximately 10.39 RMB cents (2021: 4.72RMB cents) and diluted earnings per share were 10.39 RMB cents (2021: 4.7 RMB cents).

BUSINESS REVIEW AND OUTLOOK

In 2022, the company seized the strategic opportunities of technology revolution, industrial upgrading, and ecological reconstruction of enterprise application software, and totally upgrades company's strategy based on the key technology and product components of "Cloud ERP+IoT+AI Big Data", horizontal and vertical integration, intelligence and wisdom as main direction, and walks toward new generation of full business intelligent digitalization.

During the reporting period, the company strengthened technology innovation, invest more inputs in R&D, keep on researching and studying key products, build up product core competition. And made Inspur enterprise-level Paas platform being a sharp weapon in type selection of enterprise digitalization platform. At same time, continue grabbing and consolidating high-end market. Central Enterprise and SOE market got excellent achievement. The Company built up benchmark project like TongRen Tang, China Railway Industry etc. The group got highly praised and widely recognized. Deeply ploughing channel partner, educate scaled big partner and construct industry eco. The company innovated new delivery model, improved big project delivery ability, and optimized management model, the project profit got improvement, upgrade service consciousness, number of complaints from client reduced 55% comparatively, and customer's satisfaction improved 1.3%.

CHAIRMAN'S STATEMENT

Year 2023 is the important year of inheritance and innovation and transformation upgrading. Surrounding the company's strategy upgrading, we further promote business model revolution, innovate new growth path, enlarge R&D inputs, build up two product systems: enterprise-level Paas platform and cloud ERP. Insist customer-centric. Empower in two track: management digitalization and business digitalization at same time. Open up the SME market. Walk with courage and brave, speed up development in upgrading transformation. improve effectiveness in innovation-driven and continue energetic innovation.

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.

Wang Xingshan
Chairman

Hong Kong, 31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2022, our Group's revenue mainly arose from our business in mainland China. The revenue of the Group recorded an increase approximately 114.3% and gross profit increase 39.8% as compared with last corresponding period.

(1) Revenue

During the reporting period, the Group recorded a revenue of RMB 6,966,590,000 (2021: RMB 3,250,401,000) representing an increase of 114.3% as compared with last year. Among them, the revenue of cloud service business was RMB 1,258,088,000 (2021: RMB 752,563,000),recorded 67.2% growth compared with last corresponding period, the revenue of cloud service business weighted 35.7% of the Group's software revenue plus cloud service revenue and became new growth driven. Revenue of management software for the year was RMB 2,261,227,000 (2021: RMB1,860,656,000), representing an increase of 21.5%. And the revenue of the Internet of things (IoT) was RMB 3,447,275,000 (2021: RMB 637,182,000), representing an increase of 441.0% as compared with last year.

(2) Gross profit

During the reporting period, gross profit of the Group was RMB 1,441,224,000 (2021: RMB 1,030,789,000), representing an increase of 39.8% as compared with last year. The Group's gross profit margin was 20.7% (2021: 31.7%), representing an decrease of 11%. The reason for the decrease in gross profit margin compared to the same period last year is the significant increase in revenue from Internet of Things solutions, while the gross profit margin of such businesses is relatively low.

(3) Selling and distribution, administrative expense and R&D expense

During the reporting period, administration expenses amounted to RMB 281,364,000 (2021: RMB 268,390,000), representing an increase of 4.8% mainly due to the company's strengthened cost control and a small increase in administrative expenses.

The research and development (R&D) expense was RMB735,792,000 (2021: RMB 381,828,000) and increased 92.7% compared with last year, mainly due to aggressive inputs in the R&D of cloud service business and expansion in R&D staffs.

During the period, the selling and distribution expenses was RMB 481,903,000 (2021: RMB477,135,000), increasing 1.0% compared with the last corresponding period, mainly because of the reduction of offline marketing during the reporting period due to the COVID-19.

(4) Other income and other gains and losses

During the year, the other income amounted to RMB 216,092,000 (2021: RMB169,025,000), representing an increase of 27.8% as compared with last year. The increase was mainly due to: 1) Because of the increasing of the revenue of management software, the refund from software VAT was increased 34.3% to RMB 100,669,000 (2021: RMB 74,940,000); 2) Recognised government grants was increased 270.9% compared with the last year to RMB 58,594,000 (2021:RMB 15,796,000);

During the year, the other losses amounted to RMB 1,031,000 (2021: gain RMB 3,928,000).

(5) Investment income from associates and joint venture

During the reporting period, share of profit of associates was RMB 6,049,000 (2021: RMB 9,033,000) and reduced 33.0% compared with the last year. During the period, share of the profit of a joint venture was RMB45,016,000 (2021: RMB2,507,000), representing a 1695.6% increase comparatively. Mainly due to the investment income generated by the joint venture company's disposal of some of its assets during the reporting period.

(6) Profit before tax

During the period, profit before the tax was approximately RMB 148,640,000 (2021: profit of RMB 49,943,000), representing a significant increased as compared with last year. Main reasons were: 1) Despite fierce market competition, the operating profit of the management software segment increased to RMB223,699,000 (2021: RMB 105,953,000) during the period, an increase of 111.1% compared to the same period last year. 2) The operating profit of the Internet of Things and Solutions revenue segment increased to RMB 49,154,000 (2021: RMB16,648,000), an increase of 195.3% compared to the same period last year. 3) The profit attributable to associates and joint ventures increased to RMB 51,065,000 (2021: RMB11,540,000), an increase of 342.5% compared to the same period last year. The above increase in operating profit was offset by the segment loss of the cloud services business. The company's cloud services business revenue maintained a rapid growth, but the business market promotion and R&D investment continued to increase, still in a loss state. The operating loss of the cloud services business segment was RMB 133,257,000 (2021: RMB108,795,000), an increase of 22.5% compared to the previous year.

(7) Profit for the year attributable to owners of the Company

During the reporting period, profit attributable to owners of the Company for the year was approximately RMB118,690,000 (2021: profit of RMB53,761,000), representing a significant increase compared with last year. Main reasons were management software operation profit of this segment increased sharp.

Basic earnings per share were RMB10.39 cents (2021: gains RMB4.72 cents) and diluted earnings per share were RMB10.39 cents (2021: gains RMB4.70 cents).

(8) Financial resources and liquidity

As at 31 December 2022, equity attributable to owners of the Company amounted to RMB 1,837,635,000 (at 31 December 2021: RMB 1,719,157,000). As at 31 December 2022, current assets amounted to RMB 3,241,493,000 of which RMB 1,193,170,000 were bank deposits and cash balances which were mainly denominated in Renminbi. Current liabilities, including trade and bills payables, Contract liabilities, other payables and accrued expenses amounted to RMB 2,628,409,000. The Group's current assets were around 1.23 times over its current liabilities (31 December 2021: 1.26 times).

As at 31 December 2022 and 2021, the Group had no bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

All of the Group's purchase and sales are mainly denominated in Renminbi. The Group has not used any derivative instrument to hedge against its currency exposures. The Directors believe that with its sound financial position, the Group is able to meet its foreign exchange liabilities as and when they become due.

The functional currency of the Company is Renminbi ("RMB"). The presentation currency of the consolidated financial statements in prior financial periods was Hong Kong Dollar ("HK$"). During the year ended December 31, 2022, the Group changed its presentation currency from HK$ to RMB.

CAPTIAL STRUCTURE

The Group finances its operations mainly from shareholder equity, internal generated funds and operation results in current year.

EMPLOYEE INFORMATION

As at 31 December 2022, the Group had 7,713 employees. Total employee remuneration, including directors' remuneration and mandatory provident fund contributions amounted to approximately RMB1,976,891,000.

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 2022, approximate RMB 28,393,000 of the Group's bank deposits was pledged (31 December 2021: approximate RMB 29,395,000).

BUSINESS REVIEW

During the reporting period, the Group insists on innovation-driven, seize the strategic opportunities of tehonology revolution, industrial upgrading, and ecological reconstruction of enterprise application software. The Group comprehensively upgrades the Company's strategies, deepen the digitalization of management, consolidated its high-end market advantages, speeds up expanding in SME market and at same time deeply plowing business digitalization, promote the enterprises' full business digital transformation, assists the world first-class enterpeise's condtruction and continue moving forward to become a first class software service supplier.

During the reporting period, th Group released enterprise – level Paas platform iGIX 5.0, which three core technologies reached advanced level and three technology breakthrough realized in Low-code platform in Builder with zero-code, online Paas platform and memory computing. Our IoT platform was domestic technology lead in big data management and sharing. Middle-end platform inDatax reached three technology breakthough in big scale data management, big creen cool display, intelligent scene landing. Large enterprise intelligent ERP GSCLOUD5.0 realised super-large scale group application and formed a relatively complete industrial software system. The product includes 33 key applications, 214 modules covering full field of enterprise operation management and manufacturing management, to provide the large enterprises one-stop integration digital platform. SME intelligent ERP inSuite 2.5 application covers all business operation process with full-connection allocation intelligent abilities, to assist "specialized, refine, and innovated "SME high quality development.

During the reporting period, for the industry like manufacturing, grain and storage logistic, city utilities, coal and mining,the Group published industry digital solution, Hand with customers,the Group accelateed enterprise full business digital transformation,and assisted high quality development with digitalization idea, and to build up a new digital transformation model, continue building six intelligent manufacturing sample projects with China Railway. The group assist China Railway industry get rewards like world's Top Ten Scientific & Tehnical Progress in Intelligent Manufacturing" & China Top Ten Scientific & Tehnical Progress in Intelligent Manufacturing". Together with Guangdong Grain Storage, it was selected as a typical application case of "China 5G+Industrial Internet", and Hand with Shanghai Liangyou, got award of the Science and Technology Award of China Grain and Oils Society, and Hand with Panjin Logistics, was awarded the "2022 China Federation of Logistics and Purchasing Science and Technology Progress Award"; Building a smart water cloud platform for Guangzhou Water Supply, create a "Guangzhou model of smart water", and got honor of the "Typical Case of Smart Water" by the Ministry of Housing and Urban-Rural Development; undertook the Binchang Mining Group's project of, Supply and Marketing Smart Linkage, and was awarded the Excellent Case for integration and innovation of the 4th Global Industrial Internet Conference.

I. Cloud Services Business

During the reporting period, the Group provides comprehensive cloud services to enterprises in different scales, keeps on strengthening and expanding the ecosphere construction, empowering Inspur partners and customers, during the reporting period, the cloud services business achieved a rapid growth in revenue, recording RMB1,258,088,000, representing 67.2% growth compared with the last corresponding period.

(1) Large enterprises market

During the reporting period, for the large enterprise market, the Group launched the enterprise-level PaaS platform Inspur iGIX 5.0 and the new generation of large-scale enterprise intelligent ERP GS Cloud 5.0. The Group at same time, continuously consolidated its advantage in the high-end market, and successfully signed contracts with central enterprises like China National Building Materials (中國建材) (CNBM)、POWERCHINA (中國電建)、SPIC (國家電投)、CRSC (中國通號)、China Mineral Resources Group (中國礦產資源)、ChinaEastern (東方航空) and large local SOE like ShanXi State-Owned Capital Operation Co (山西國運)、Shan Dong Railway Investment Holding (山東鐵投)、Shandong Culture and Tourism Group (山東文旅)、CQAIG (重慶農投)、Guangdong Navigation(廣東港航)、SHUM YIP GROUP (深業集團)、ShenzhenTalentHousingGroup (深圳人才安居)、FoShanWater (佛山水務) ZhaoQing Transportation (肇慶交通)、Haikou Transportation (海口公交)、ChangAn Hui Tong (長安匯通)、錦江投資 (Jingjiang Inv)、GXJKYY (廣西交科) and so on. The group innovates jointly with customers to build world first-class enterprises.

Inspur iGIX5.0 further breaks through key technologies such as low/zero code, Internet of Things, big data, and memory computing, through our three core sub-platforms: inBuilder low-code platform, inIoT IOT platform and inDatax data middle-end Platform, the group help large enterprises to build up their own controllable digital transformation platform to upgrade their digital ability and help customers to be time-sensitive and real-time intelligent enterprises with global view.

The large-scale enterprise intelligent ERP GS Cloud5.0 has achieved three core breakthroughs in ultra-large-scale group applications, safe operation of the entire environment, and networked collaborative manufacturing. Based on the new generation advanced technology platform covering full business operation field plug-in richer cloud applications such as Financial Cloud, Business Travel Cloud, human cloud, asset cloud, collaborative cloud, and procurement cloud provide stronger support for the digital development for large enterprises. GS Cloud 5.0 was selected as an excellent software product of China Software Industry Association in 2022, according to CCW Research's 2022 China In IT user satisfaction survey results, Inspur GSCloud won the first title of user satisfaction.

MANAGEMENT DISCUSSION AND ANALYSIS

Inspur HCM Cloud, based on years of service experience in large-scale enterprise human resource digital platforms, the Group continues to iteratively optimize and upgrade, and launches a multi-tenant + management and control platform deployment model, which has become an excellent solution to support hierarchical management and control of super-large groups and individualized subsidiaries. The elements of success in the construction of a human resources digital platform, the product layout is centered on integration, and the management and control model is fully covered, helping more enterprises to transform and build human resources digitally. HCM Cloud reshapes the user experience and fully introduces advanced technologies tools such as big data analysis and artificial intelligence. It has been implemented in 13 large central enterprises including CHINALCO (中國鋁業), China Energy Construction, (中國能建) CITIC Group (中信集團), and China Gold (中國黃金). The Group won the Human Resources Technology Supplier Value Award and China's Top 50 Human Resources Technology Influential Brands.

During the reporting period, Inspur Procurement Cloud made comprehensive applications of digital technologies such as big data, cloud computing to build an Internet platform for Inspur Cloud Procurement Industry platform, enhance the flexibility of the supply chain, realize efficient operation of funds, information, and logistics, and enhance the enterprise's competitiveness in the digital age. At present, it has successfully served many large group companies such as Tianjin Infrastructure Investment(天津城投), Tianjin Water (天津水務), Ningxia Construction Investment (寧夏建投), Bohai Chemical Industry (渤海化工), and Guangzhou Port (廣州港).Inspur cooperated deeply with Bohui Group (渤海集團) to create the first chemical industry bidding and procurement service platform in North China with transaction as the core and multi-role collaboration - "Bohua Easy Purchasing", which was successfully selected in the list of the 2022 National Public Service Platform of the China Federation of Logistics and Procurement.

Core in "value creation", Finance Cloud provides one-stop financial digital services for enterprises, and realizes interconnection with platforms such as business travel, banks, and tax bureau. Focus on the integration of business and finance, pay equal attention to management and service, promote the implementation of management accounting, focus on "scenario + data + algorithm", create intelligent finance, and promote the digital transformation of corporate finance. Shaanxi Heavy Duty Automobile (陝西重汽), Tongling Nonferrous Metals (銅陵有色) and other customers won the 3rd China Smart Finance Best Practice Award; Released a new generation of electronic voucher solutions, supported the entire process of all-electronic invoice operations, realized the entire digitalization of electronic vouchers, and helped Huatai Securities (華泰證券), Zhongtai Securities (中泰證券), Henan Investment (河南投資), Guangxi Investment (廣西投資), Baiyun Airport (白雲機場) and other pilot units successfully on-line launched the application.

During the reporting period, the Group continued to expand channel partners and build an ecological partner system. The Group set up 103 partner-specific courses, organize product program training, partner salons, flying eagle training camps and other activities, improve the marketing and delivery capabilities of partners, and actively empower partners. In terms of core ecological partners, Ping An Bank(平安銀行) and Bank of Ningxia (寧夏銀行) have strategically signed contracts, jointly explored a new scenario marketing model based on core enterprises and downstream distributors with Minsheng Bank. (民生銀行) Gradually promote cooperation with operators, expand product marketing channels, and realize a new model of joint operation through cooperative innovation and sharing.

(2) Small and medium-sized enterprise market

During the reporting period, the Group released a new generation of open source cloud ERP inSuite 2.5 for growing enterprises. With standardized applications such as financial cloud, supply chain cloud, manufacturing cloud, and development cloud as the core, it provides industrialized applications for industries such as mechanical processing, food processing, project-based manufacturing, chemical fiber, and new energy chemicals, helping to "specialize, refine, and innovate""專精特新"small and medium-sized enterprises realise the high-quality development of digital transformation such as Huaying Agriculture (華英農業), Jianghe Paper (江河紙業), Huitong Latex (匯通乳膠), Gedegray (格德格瑞), Yidong Energy (羿動能源), Qingdao Tianchi(青島天馳), and Hetong Information (和同信息) etc. inSuite2.5 won the China SaaS service star product, the new generation of information technology innovative products, intelligent manufacturing "ingenuity brand", Shandong famous brand and other awards.

During the reporting period, for the small and micro enterprises market, the Group officially released SME cloud product Inspur E-yun 5.0. The product covers Cloud Accounting, Cloud Inventory standardized applications, segmented industry SaaS applications such as Rural Capital Cloud (三資雲), Zhujianyun (住建雲) and so on. Through gathering resources from strategic ecological partners, professional service partners and value-added distributors, comprehensively build a full-service integrated one-step cloud platform covering all aspects of corporate finance, taxation and operation management, and continuously improve cloud platform for small and micro enterprises.

II. Management Software Business

During the reporting period, the Group's management software business further consolidated its advantages in the high-end market, built a brand image through model projects, and quickly promoted and replicated it. The Group made full use of its product advantages in the fields of smart state-owned assets, treasury, intelligent manufacturing, data middle-end platform, and network operation support system (OSS), breaking through well-known customers such as CRSC (中國通號), CNBM (中國建材), CCTEG (中煤科工), CFGC (中國林業), ChinaCO-OP (中國供銷), PowerChina (中國電建), GNG (廣東港航), TSINGHUA University (清華大學), China Energy Construction (中國能建), Guangzhou City Invetment (廣州城投) etc., actively promote the digital transformation of the entire business of enterprises. The group recorded revenue of RMB2,261,227,000, representing 21.5% growth compared with the last corresponding period (2021:RMB1,860,656,000).

Inspur Smart State-owned Assets has built a new digital, collaborative and intelligent model of state-owned assets supervision, created a super-integrated integrated smart state-owned assets online supervision platform covering all levels, all processes, and all elements, and promoted the integration of business supervision and intelligent decision-making analysis, application service sharing. Released the "White Paper on Digital Transformation of State-owned Assets and State-owned Enterprises Supervision Based on State-owned Assets Cloud", providing a path and practical reference for building smart state-owned assets supervision and helping state-owned capital become stronger, better and bigger. At present, 15 provincial-level SASACs in Shandong, Shanxi, Jiangsu, and more than 80 prefecture-level SASACs have provided state-owned assets supervision information services. In the future, guided by technological innovation, we will accelerate the intelligent upgrading of state-owned assets supervision and help build a state-owned assets big supervision pattern.

MANAGEMENT DISCUSSION AND ANALYSIS

Inspur's smart treasury solution was officially released, which integrates transaction, configuration and decision-making, fully covers treasury business management needs, helps companies change funds from passive management to active operation, supports the implementation of group strategies, and forms a future-oriented smart treasury. Signed contracts with more than 10 central enterprise treasury projects including Dongfang Electric (東方電氣), China Energy Conservation (中節能), and China National Building Materials Group (中建材), empowering the construction of a world-class treasury system for state-owned and central enterprises, and won the "Preferred Service Provider for Chinese Enterprise Treasury Management and Construction.

Based on the new-generation "cloud-edge-device" intelligent manufacturing technology architecture, Inspur continues to build an industrial software product system, and carries out in-depth promotion and application in industries such as equipment manufacturing, machinery manufacturing, medicine, and fast-consumption etc. Establish several blenchmark client projects such as zhanggu Shandong (山東章鼓), FangYuan Shandong (山東方原),to assist the manufacturing industry digital transformation. Released a new generation of networked collaborative manufacturing platform 5.0, which supports centralized management of large-scale data and dynamic optimization of the production process, creating a "1+N" model, covering 4 levels and 7 major systems, realizing fast, efficient and flexible allocation of manufacturing resources for enterprises, and comprehensive support application scenarios of flexible manufacturing, machine vision, remote operation and maintenance, digital production and others, so as to achieve precise collaboration from the entire product life cycle.

Inspur's middle-end platform inDataX has formed a one-stop integrated platform covering the entire process of enterprise data management, which can gather entire enterprise data, provide data collection, governance, display, and intelligent decision-making capabilities, help enterprises activate data business value, and empower enterprise operations and decision making it win the "Excellent Project" Award for Leading Scientific and Technological Achievements of the 2022 Data Expo (2022數博會領先科技成果"優秀項目"獎) & Shandong Province's three excellent and double projects excellent big data products.

During the reporting period, Communications Information is committed to becoming a major service provider for operators' new infrastructure and a leading enabler in digital operation transformation. Formulate a computing power network development strategy, seize the opportunity of operators' computing power network strategic adjustment, create a computing power network consulting and planning system, output a full range of computing power network service solutions, and deeply integrate with the operator's industry chain to promote the implementation of computing power network innovation. Focusing on operator software and services, it has formed a full range of products in the field of operation support, covering operator customers in 31 provinces. Released the "White Paper on Hashrate Network Operation" and "Hashrate Network Operating System", proposed an innovative support system for the operation of Hashrate Network services, and was selected into the "Software Supply Chain Vendors and Products List" by China Academy of Information and Communications Technology.

III. Internet of Things (IoT) Solutions Business

During the reporting period, the Group's Internet of Things solutions business, which mainly covers the grain storage and logestic industry, smart water, intelligent mining and smart garden and the telecommunications industry achieved revenue of RMB3,447,275,000, representing an increase of 441% compared with the corresponding period last year. (2021: RMB637,182,000).

For the grain and warehousing and logistics industry. During the reporting period, the Group continued to optimize its product line, increase the market layout of smart warehousing, smart logistics, and smart parks, and provide smart grain and warehousing integrated solutions for above ten thousands of customers such as food and material reserve authorities at all levels, emergency management departments, grain-related enterprises in different sizes, material reserves and warehousing and logistics parks, etc., forming a full-scenario industry digital service such as consulting planning, business solutions, product research and development, implementation and delivery, and operation and maintenance guarantee. It has the ability to digitalize the entire grain industry chain from the field to the dining table. It has successfully signed contracts with large grain companies such as China Grain Reserves (中儲糧), Beidahuang (北大荒), Shanghai Liangyou Group (上海良友集團), Luliang Group(魯糧集團), and Jilin Grain Reserves(吉林儲備糧). A "Digital Dragon Grain Supervision Service Platform" built in accordance with the "National Grain and Material Reserve Bureau Grain Purchase and Sales Supervision Informatization Specification" to help the high-quality development of the grain industry and consolidate the foundation of national food security.

During the reporting period, Communication Information deepened the data center integrated service plan, and has abilities to provide data center consulting design, project delivery, cloud integration, product research and development (data center infrastructure management, energy consumption optimization direction), operation and maintenance services in the data center service industry and capabilities to provide other full-lifecycle closed-loop service to support the construction of computing power infrastructure for operators and government and enterprise customers. Expand the perspective of the national "double carbon" strategy, drive the evolution of green energy-saving technology in data centers through standardization work, improve the consulting and planning service and product system, continue to promote the implementation of high-value consulting, planning and design projects, and promote energy conservation and emission reduction and the development of a green and low-carbon economy.

BUSINESS PLANNING

In 2023, the Group,as a leading supplier of enterprise software and cloud services and an excellent service provider for enterprise digital transformation, will continue to adhere to the leadership of scientific and technological innovation, continuously improve planning and consulting capabilities and top-level design capabilities, increase investment in research and development, and build up two major product systems: an enterprise-level Paas platform and Cloud ERP. Focusing on customers, surrounding on the digital transformation needs from large and medium-sized and small enterprises, breakthrough innovating market paths, comprehensively improving the competitiveness of cloud ERP products. At the same time, the group provide comprehensive integrated vertical solutions based on customers' need, form a business digital promotion path, lead high-end, focus on industries, and promote full-business digital transformation.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Mr. Wang Xingshan, aged 58, is the chairman of the Board, graduated in Xi'an Jiaotong University, 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. Cui Hong Zhi, aged 48, 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. Cui has served as the executive director of the company since April 30, 2022..

Mr. Wang Yusen, aged 39, 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.. Mr. Wang has served as the executive director of the company since May 24, 2021.

Ms. Li Chunxiang, aged 46, 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 64, 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 61, 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 61, 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 51,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. Mr. Wei was appointed as the General Manager from September 17, 2021.

Ms. Chan Wing, aged 52, 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 44, 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 2022.

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 2022 with the exception of: Under code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Partial Directors were unable to attend the annual general meeting due to epidemic and other reasons. The Company will improve its meeting scheduling.

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 specialized committees of the Board, appointing or dismissing the chairman (convener) of specialized 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. Wang Xingshan (Chairman of the Board)
Mr. Wang Yusen
Mr. Jin Xiaozhou, Joe [*1]
Mr. Cui Hongzhi [*1]

[*1] Mr. Jin Xiaozhou, Joe resigned as executive director on April 30, 2022 and Mr. Cui Hongzhi was appointed as executive director on April 30, 2022.

Non-executive Directors

Mr. Dong Hailong[*2]
Ms. Li Chunxiang[*2]

[*2] Mr. Dong Hailong, Joe resigned as Non-executive Directors on April 30, 2022 and Ms. Li Chunxiang was appointed as Non-executive Directors on April 30, 2022.

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. Wang Xingshan, Mr. Wang Yusen and Mr. Ding Xiangqian shall be retired by rotation and be eligible for re-election.

III. Board Meeting/General Meeting

For the year ended 31 December 2022, the Company convened eight Board meetings and one General Meeting. The following table shows the details of Directors' attendance:

Directors	Attendance/number of Meetings	
	Board Meetings	General Meeting
Mr. Wang Xingshan	8/8	2/4
Mr. Jin Xiaozhou, Joe	3/8	0/4
Mr. Dong Hailong	2/8	0/4
Mr. Wong Lit Chor, Alexis	8/8	3/4
Ms. Zhang Ruijun	8/8	3/4
Mr. Ding Xiangqian	7/8	4/4
Mr. Wang Yusen	5/8	4/4
Mr. Cui Hongzhi	8/8	2/4
Ms. Li Chunxiang	3/8	0/4

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 2022, 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 2021 annual report and the 2022 interim report, considering and approving related party transactions, and changing the name of the company and discussing other major matters. 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 2022:

Directors	Corporate Governance, regulatory development other relevant topics	Monthly report
Mr. Wang Xingshan	✓	✓
Mr. Jin Xiaozhou, Joe	✓	✓
Mr. Dong Hailong	✓	✓
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 2022, 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 report and,, 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, compliance officer 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 2022, the Audit Committee held two meetings, at which the Audit Committee:

(1) reviewed the Company's annual financial report and internal control report for the year 2021, and submitted them to the Board for approval;

(2) reviewed the Company's interim financial report of 2022, and submitted it to the Board for approval;

Details of attendance at the Audit Committee meetings during year 2022 are set out below:

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

REMUNERATION COMMITTEE

As at 31 December 2022, 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 2022, the Remuneration Committee held one meetings to discuss the grant of share options pursuant to the Company's share option scheme, discuss the adoption of new share option scheme, and submit proposals to the Board.

Details of attendance at the Remuneration Committee meetings during year 2022 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 2022, 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 2022 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 GENERAL MANAGER

To ensure a balance of power and authority, the role of the Chairman is separated from that of the General Manager. Currently, the Chairman and the General Manager 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 General Manager 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 development 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 31December 2022.

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 2022.

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	2,700

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 F.1.1 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 2022 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 a foundation for long-term growth of the Company. A healthy risk management and internal control systems are essential elements in the corporate governance. The Board is responsible for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems to safeguard the interests of shareholders. During the year, the Company has continuously engaged an external consultant to assist in optimizing the risk management system so as to strengthen the corporate governance of the Company.

RISK GOVERNANCE STRUCTURE

The Company's risk management structure is designed on a "Three Lines of Defense" model basis, namely, day-to-day operation and control, continuous risk management activities and independent monitoring of internal control activities, all interrelated with one another. The key internal control procedures in each business unit provide clear guidelines through a series of policies and procedures with reference to elements related to governance, risk management and compliance. The company regularly reviews and updates its policies and procedures and provides training to staff to ensure its effectiveness.

Key policies and procedures of the Company include whistleblowing policy, policies of inside information handling, connected party transactions and various departmental and functional operational policies and procedures which provide day-to-day operational guidelines under the corporate governance framework.

RISK MANAGEMENT SYSTEMS

With reference to the globally recognized risk management framework, COSO ERM and ISO 31000, the Company's risk management system includes activities of determination of targets, identification of risk matters, risk assessment, risk response, risk monitoring and control activities. It also integrated the top-down and bottom-up approach in risk identification and assessment process, in order to provide a comprehensive view from both management and operation level. The system is not a standalone system and is integrated with the current internal control system. The management of different functions and business unit will regularly discuss and exchange market information and respond promptly and appropriately to changes. They are such as changes in epidermic preventive and control measures that affect the business environment and new market risks, etc. The Company's risk management and internal control systems seek to manage and mitigate, but not to eliminate, the impact of main risk types identified in the Group.

The key elements of the Company's risk management systems are the following:

The Company, through the risk registers, risk assessment questionnaire and workshops, to facilitate all units in identifying, analyzing and assessing the risk events in term of probability of occurrence and impact to the Company in the areas of financial, operational, compliance and environmental aspects. The adequacy of the current risk responses and the related control activities to the identified risks are discussed regularly for improvements. During the year, the Company has carried out special assessment and review on environmental, social and corporate governance risks and its monitoring system in accordance with the provisions of Appendix 27 of the Listing Rules. The identified risk events by each function are analyzed and consolidated by the engaged risk consultant for identifying key risks to the Company. The identified key risks, risk momentum and their mitigation measures and controls are discussed and confirmed by the management and reported to the Audit Committee. The identified risks of the Company are classified into 10 categories, details of which are set out on pages 29 to 35 of this report.

The Company has clearly defined its duties and responsibilities of the Board, management, business operating units, and internal audit functions. The Board appoints the Audit Committee to continuously monitor the effectiveness of the Company's risk management and internal control systems. The Audit Committee discusses the reports submitted by the management, approves the nature and extent of the risks that the company is willing to accept in order to achieve the strategic objectives, reviews the adequacy and effectiveness of the existing monitoring and risk management systems, and advises for further improvements. The management ensures adequate resources to support the implementation of the decisions made by the Board and Audit Committee and confirms to the Board on the risk management and internal control systems in respect of their effectiveness, design, implementation and monitoring. During the year, the above risk management and internal control works were properly completed and the board of directors and management confirm the effectiveness of the design, implementation and monitoring of the system.

INTERNAL CONTROL

The internal audit department on a yearly basis conducts independent review of the Company's key risk control and monitoring procedures in accordance with the annual audit plan approved by the Audit Committee. Internal Audit regularly reports the results and recommends areas of improvement to the Audit Committee.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, through the Audit Committee, receives confirmation from the management regarding the effectiveness of the design, implementation and monitoring of the Company's risk management and internal control systems. The systems adopted by the Company, like other systems, can only provide reasonable but not absolute assurance against significant misstatement or losses. The Company will continue maintaining a sound and effective risk management and internal control systems to meet the long-term strategic objectives of the Company.

SIGNIFICANT RISKS AND RISK MOMENTUM OF THE COMPANY

During the year, the Company has identified and assessed different risk events and evaluate their effectiveness of control and monitoring mechanism in 10 different categories. They are set out in the following table:

Risk category	Significant risks	Significant control measures and risk countermeasures	Risk level	Risk Momentum[1]
Finance, economy and politics	Adverse change in financial, economic and political environments in Mainland China and Hong Kong could have significant impact to the Company's financial performance	— Closely monitor market trend — Continuous monitoring on the direction of government policies and respond in timely manner — Keep a good relationship with relevant consultants to keep up with the market changes — Develop new business strategies and plans by experienced professionals of the Company to minimize the negative impact	Medium	←→ With the epidemic situation stabilizes, the economy of China and Hong Kong has been recovering, but there are still certain uncertainties in business environment, The risk level remains unchanged.

Risk category	Significant risks	Significant control measures and risk countermeasures	Risk level	Risk Momentum[1]
Employee	Employees are valuable assets of the Company. Failure to retain key employees due to health and safety issues or offering not competitive remuneration package, will affect the quality of the products and services provided by the Company	— Enhance sanitization and cleaning measures in workplaces during the pandemic — A series of health and safety measures have been implemented for our employees, such as working from home arrangement — Make analysis on the remuneration data available in the market and provide competitive remuneration package to the staff — Develop a comprehensive performance evaluation system — Develop succession procedures for key positions — Provide training (including health and safety) and staff development programme — Regularly check whether the health and safety environment in the workplace complies with the preventive measures required by the government — Actively participate in on-campus job fairs — Develop intern training course and give priority to interns who have completed training in offering job opportunities — comprehensive insurance coverage for staff	Medium to High	←→ The recent epidemic situation has generally stabilized. The risk level related to employee health and safety remains unchanged for the time being, but it is believed that it will turn downward in the short term.

CORPORATE GOVERNANCE REPORT

Risk category	Significant risks	Significant control measures and risk countermeasures	Risk level	Risk Momentum[1]
Customer	The Company is committed to provide high quality products and services to the customers in order to meet their business needs. Failure in identifying customer needs or inappropriately handling customer enquiries/complaints could directly affect to the Company's earnings and long-term development	— Adequate communication with customers to understand their requirements during the project planning phase — Develop solutions by internal professionals — Take every opportunity to communicate with our customers, e.g. conference, to fully understand their needs —- Develop detailed specification as required by customer in relation to each product/project and confirm with customer	Medium	←→ Risk level in this area remains unchanged
Supplier Performance	Lack of mechanism on supplier performance management and association with problematic supplier may cause financial and reputation loss	— All suppliers and consultants are required to go through the established pre-qualification procedures for registration — Request suppliers and consultants to provide relevant license and job reference — Closely monitoring the performance of suppliers and consultants	Low to Medium	←→ No significant change in this area, the risk remains unchanged

Risk category	Significant risks	Significant control measures and risk countermeasures	Risk level	Risk Momentum[1]
Laws and Regulations	Unable to meet local legal and regulatory requirements for operating business overseas or non-compliance of the newly implemented laws and regulations may result in reputational damage and financial loss	— Experienced team with relevant knowledge of company ordinance/ listing rules in Hong Kong and Mainland China — Closely monitor the market trend and promptly respond to the changes — Provide guidelines on compliance to listing rules and company ordinance to employees — Actively seek professional advice/ assistance, if necessary — Strengthen communication with internal audit department to ensure non-compliance being addressed as soon as practicable	Low to Medium	←→ No significant change in this area, the risk level remains unchanged
Information technology	System failure, mistakes or failure in updating the latest technologies in the market may impair the customer confidence in the Company and lose the leading position in the industry which may affect the business sustainability	— IT Security Committee is responsible to oversee the Group's IT security matters — Develop and comply with the relevant policies and procedures to ensure our IT systems are secured and stable — Backup database everyday — Request operators to develop a set of disaster recovery plan — Designated team to perform regular repair and maintenance of the systems — Actively participate in industrial seminars/exhibitions — Follow with market trend and industrial study	Low to Medium	←→ The designated team stays alert with the IT security issues and the risk momentum maintains unchanged

Risk category	Significant risks	Significant control measures and risk countermeasures	Risk level	Risk Momentum[1]
Operation and Management	Inadequate control measures in daily operation, such as infringement of our intellectual properties, credit risks, underpriced contracts, insufficient project and budgeting control, contract risk and reliance on single distribution channel, etc. may lead to reputational damages and financial loss	— Leading by Finance Department, annual budget was prepared and agreed by all functional departments and approved by management — Submit regular work report to the management for review — Established control mechanism for key processes — Develop approval procedures, including approval on credit application — Hire employees with relevant experience — Prepare development strategies in short, medium and long term — Actively explore new distribution channels — Seek assistance from relevant professionals, if necessary — Check key control procedures independently by the audit department	Low to Medium	←→ There is no significant change in the business and operating model. The overall risk momentum remains unchanged

Risk category	Significant risks	Significant control measures and risk countermeasures	Risk level	Risk Momentum[1]
Natural disaster	Severe disasters, such as fire, flood, outbreak of infectious diseases, etc., may affect the day-to-day operation of the Company and lead to financial loss	— A crisis management team is established to timely response to the latest epidemic development — Establish a series of disease prevention measures, such as temperature checking, arrangement on health declaration, work from home arrangement in epidemic areas, enhancement on sanitization and cleaning, etc. — Establish emergency response procedures for suspected or confirmed case of Coronavirus Disease in workplace — Establish departmental business continuity plan and arrange the staff to continue their work in alternative site, if necessary — Make regular inspection and maintenance of fire safety facilities and other emergency equipment (such as sand bags used in flooding control) — Adequate insurance coverage	Medium to High	←→ The recent epidemic situation has generally stabilized. The risk level related to natural disaster remains unchanged for the time being, but it is believed that it will turn downward in the short term.
Media and reputation	Inappropriate handling on media promotion, advertising and media enquires may affect the Company's image and reputation	— Designated department closely monitor the news of the Company — Designated team provides prompt responses to media enquiries	Low	←→ Designated team closely monitors on various media channels and handle incidence in the timely manner. The risk remains stable

Risk category	Significant risks	Significant control measures and risk countermeasures	Risk level	Risk Momentum[1]
Energy and environment	Failure in controlling pollution (such as noises, waste gases and electronic waste) from projects of the Company in an effective manner may have negative effect on the environment. Procurement costs increase due to climate/policy change.	— The Company has no direct material impact to the environment such as greenhouse gas emission and has established rigorous controls on pollutants which may arising from business operation — Promptly handle the complaint — Enhance environmental awareness of our staff, such as encourage the use of public transportation, reduce business trip by online meeting, reduce use of paper, establish green office energy saving plan, etc. — Closely monitor and promptly responses to the change of government policy	Low	←→ Due to the industrial nature, the risk stays stable

1 Risk Momentum: (↑) Risk level increased; (↓) Risk level decreased; or (←→) Risk level unchanged

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the five largest customers accounted for approximately 10.58% of the Group's total turnover. The five largest suppliers accounted for approximately12.92% of the Group's total purchase amounts. In addition, the largest customer accounted for approximately 5.08%of the Group's total turnover while the largest supplier accounted for approximately 4.74% 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 5.08% and4.74%respectively of the total sales and total purchases of the Group for the year ended 31 December 2022.

SHARE CAPITAL

Details of movements during the year of the Company's share capital are set out in note 32 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated Income Statement on page 54.

FINAL DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK$ 0.02 in respect of the year ended 31 December 2022 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 2022, 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 41 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 43 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 42 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、RMB570,960,000for each of the financial year ended 2022 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 2022 amounted to approximately RMB354,247,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2022 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、RMB 1,846,000,000 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 RMB 14,200,000、RMB 18,460,000 and RMB 24,000,000 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 2022 amounted to RMB 603,281,000and the related commission amounted to RMB 6,002,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2022 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 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 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 RMB 320,000,000、RMB 416,000,000 and RMB 540,800,000 for each of the financial year ended 31 December 2022 and 2023and 2024 respectively.

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

The aggregate transactions under Purchase Transactions for the year ended 31 December 2022 amounted to RMB 262,073,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2022 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, 2023and 2024 are RMB 12,210,000、RMB 13,431,000 and RMB 14,777,000 respectively.

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

The use of Common Services for the year ended 31 December 2022 amounted to approximately RMB11,142,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2022 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、RMB 31,940,000 and RMB 35,140,000 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 Dec 2020.

During the year ended 31 December 2022, the rental Income from Inspur Group under Leasing amounted to approximately RMB 13,574,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2022 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 3 September 2020, the Company and Inspur Group entered into the Agreement, The maximum annual caps under Leasing Services will not exceed RMB56, 100,000 for each of the financial year ended 2020,2021 and 2022 respectively.

   Further details of such continuing connected transaction were disclosed in the Announcement dated 3 September 2022.

   During the year ended 31 December 2022, the rental Income from Inspur Group under Leasing Services amounted to approximately RMB 26,614,000.

   The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2022 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 2022, the Group leased properties located in Hong Kong to a fellow subsidiary of the Inspur Group, which generated the rental income of RMB 587,000.

4. Financial Services

On 27 February 2020, 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 2022.

Further details of such continuing connected transaction were disclosed in the Company's circular dated 15 April 2020 (the "Circular").

As of 2022, the maximum daily deposit balance (including any accrued interest) was approximately RMB 484,721,000.

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 2022, the Group collected interest income from Inspur Finance, which generated the interest income of RMB 6,250,000

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 2022, the Company's reserves available for distribution are set out as below:

	2022 RMB'000
Reserves	**1,826,839**

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
Mr. Wang Yusen
Mr. Cui Hongzhi*[1]
Ms. Li Chunxiang*[2]
Ms. Zhang Ruijun
Mr. Wong Lit Chor, Alexis
Mr. Ding Xiangqian
Mr. Jin Xiaozhou,Joe*[1]
Mr. Dong Hailong*[2]

*1 Mr. Jin Xiaozhou,Joe resigned as Executive Director on April 30, 2022, and Mr. Cui Hongzhi served as Executive Director on April 30, 2022.

*2 Mr. Dong Hailong resigned as a non-executive director on April 30, 2022, and Ms. Li Chunxiang served as a non-executive director on April 30, 2022

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 2022, 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$*
Wong Lit Chor, Alexis	owner	share option	200,000*[1]	3.16
Zhang Ruijun	owner	share option	200,000*[1]	3.16
Ding Xiangqian	owner	share option	200,000*[1]	3.16

Notes: (1) On 16 October 2018, the share options were granted to director under 2008 Share Option Scheme.

Save as disclosed above, as at 31 December 2022, 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 2022, 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	Corporate (Note 1)	621,679,686	54.44%
Inspur Overseas Investment Limited	Beneficial owner (Note 1)	428,278,400	37.50%
Inspur Cloud Computing Investment 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 Overseas Investment Limited and Inspur Cloud Computing Investment Limited.

As at 31 December 2022, 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 2022, 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 2022	Date of Grant	Granted	Exercised	Cancelled	Forfeited	Outstanding as at 31 December 2022	Exercise price per share (HK$)	Exercise Period	Vesting Period
Directors										
Wong Lit Chor, Alexis	200,000	16 Oct 2018	–		–	–	200,000	3.16	16 Oct 2018 to 15 Oct 2028	Note 1
Zhang Ruijun	200,000	16 Oct 2018	–	–	–	–	200,000	3.16	16 Oct 2018 to 15 Oct 2028	Note 1
Ding Xiangian	200,000	16 Oct 2018	–	–	–	–	200,000	3.16	16 Oct 2018 to 15 Oct 2028	Note 1
Sub-total	**600,000**			**–**		**–**	**600,000**			
Employees (in aggregate	716,000	28 Aug 2020	–	–	–	–	716,000	2.29	28 Aug 2020 to 27 Aug 2030	Note 2
Sub-total	**716,000**		–	–		**–**	**716,000**			
Total	**1,316,000**			**–**		**–**	**1,316,000**			

Note 1、 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).

Note 2、 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 2022, 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 2022, 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, 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 2022 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 2022, save as:

Under code provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Partial Directors were unable to attend the annual general meeting of shareholders due to epidemic and other reasons. The Company will improve its meeting scheduling and arrangement in order to ensure full compliance with Code A.6.7 in future.

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 2022.

DIRECTORS' REPORT

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 33 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

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

(i) The register of members will be closed from 15 June 2023 to 23 June 2023 (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 Floor1712-1716 room, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 14 June 2023.

(ii) The register of members will be closed from 4 July 2023 to 7 July 2023 (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 room 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 3 July 2023.

AUDITOR

Messrs. Deloitte Touche Tohmatsu was re-appointed as the Company's auditor for the year ended 31 December 2022.

On behalf of the Board
Wang Xingshan
CHAIRMAN

31th March 2023

Deloitte. 德勤

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, formerly known as Inspur International Limited, (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 150 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, 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 a summary of significant accounting policies.

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 2022, 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.

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 5 and 4 to the consolidated financial statements respectively.	Our procedures in relation to revenue recognition of software development contracts included: • Evaluating 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; • Interviewing 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; • Checking on a sample basis, the total contract sum, the estimated total costs for the contract and costs incurred for the work performed to date against the supporting documents; • Understanding, evaluating and testing the IT general controls over the system where the timesheet information of the software development contracts are recorded and maintained; and • Checking 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 2022, 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 RMB748 million. The Group's investment properties located in Jinan and part of the investment properties located in Beijing, totally accounted for approximately 95.8% of the carrying amount of the investment properties, are measured 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 term yield, reversionary yield, 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.	Our procedures in relation to the valuation of investment properties included: • Discussing with management to understand valuation process of the investment properties; • Evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work; and • Obtaining a copy of valuation report prepared by the Valuer and discussing with the Valuer together with our internal valuation expert to understand the basis of determination of valuation; evaluating the Valuer's methodologies and basis of judgments in valuing the investment properties and obtaining 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 Lung, Wing Hung David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000 (Restated)
Revenue	5	**6,966,590**	3,250,401
Cost of sales		**(5,525,366)**	(2,219,612)
Gross profit		**1,441,224**	1,030,789
Other income	7	**216,092**	169,025
Other gains and losses, net	7	**(1,031)**	3,928
Impairment losses under expected credit loss model, net of reversal	8	**(42,075)**	(15,208)
Administrative expenses		**(281,364)**	(268,390)
Research and development expenses		**(735,792)**	(381,828)
Selling and distribution expenses		**(481,903)**	(477,135)
Finance costs		**(3,398)**	(1,486)
Changes in fair value of investment properties	16	**(14,178)**	(21,292)
Share of results of associates		**6,049**	9,033
Share of result of a joint venture		**45,016**	2,507
Profit before tax		**148,640**	49,943
Income tax (expenses) benefits	9	**(23,831)**	2,571
Profit for the year	10	**124,809**	52,514
Profit for the year attributable to owners of the Company		**118,690**	53,761
Profit (loss) for the year attributable to non-controlling interests		**6,119**	(1,247)
Earnings per share	14		
– Basic (RMB Cent)		**10.39**	4.72
– Diluted (RMB Cent)		**10.39**	4.70

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000 (Restated)
Profit for the year	**124,809**	52,514
Other comprehensive (expense) income:		
Items that will not be reclassified to profit or loss:		
Fair value (loss) gain on investment in an equity instrument at fair value through other comprehensive income ("FVTOCI")	**(39)**	8,589
Deferred tax on revaluation upon equity instrument at FVTOCI	**9**	(2,147)
Loss on revaluation upon transfer from property, plant and equipment to investment properties	**—**	(333)
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties	**—**	50
	(30)	6,159
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(826)**	(985)
	(826)	(985)
Other comprehensive (expense) income for the year, net of income tax	**(856)**	5,174
Total comprehensive income for the year	**123,953**	57,688
Total comprehensive income (expense) for the year attributable to:		
– Owners of the Company	**117,834**	59,188
– Non-controlling interests	**6,119**	(1,500)
	123,953	57,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)	1 January 2021 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	15	**374,401**	367,672	333,624
Investment properties	16	**747,920**	772,975	833,895
Right-of-use assets	17	**66,344**	64,882	61,105
Other intangible assets	18	**34,000**	42,355	55,573
Equity instrument at FVTOCI	19	**—**	28,000	19,411
Interests in associates	20	**217,604**	215,252	313,824
Interest in a joint venture	21	**136,267**	91,251	88,744
		1,576,536	1,582,387	1,706,176
Current assets				
Inventories	22	**438**	1,695	1,045
Trade and bills receivables	23	**1,052,532**	569,210	316,033
Debt instruments at FVTOCI		**43,548**	10,965	4,075
Prepayments, deposits and other receivables		**257,168**	179,899	95,347
Contract assets	24	**363,677**	224,508	299,446
Amount due from ultimate holding company	25	**5,749**	3,153	1,670
Amounts due from fellow subsidiaries	25	**296,818**	261,163	190,974
Pledged bank deposits	26	**28,393**	29,395	18,107
Bank balances and cash	26	**1,193,170**	1,033,139	871,001
		3,241,493	2,313,127	1,797,698
Current liabilities				
Trade payables	27	**598,008**	179,635	201,352
Other payables, deposits received and accrued expenses	28	**646,286**	579,833	426,396
Lease liabilities	29	**12,322**	12,026	9,741
Contract liabilities	24	**1,076,509**	893,042	740,636
Provisions	30	**12,551**	26,360	30,462
Amount due to ultimate holding company	31	**967**	1,909	1,027
Amounts due to fellow subsidiaries	31	**223,977**	53,738	40,932
Deferred income - government grants	34	**41,779**	86,755	47,531
Tax liabilities		**16,010**	9,606	17,607
		2,628,409	1,842,904	1,515,684
Net current assets		**613,084**	470,223	282,014
Total assets less current liabilities		**2,189,620**	2,052,610	1,988,190

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)	1 January 2021 RMB'000 (Restated)
Non-current liabilities				
Lease liabilities	29	**7,926**	8,248	7,987
Deferred income - government grants	34	**102,598**	83,248	80,654
Deferred tax liabilities	35	**201,129**	204,416	205,507
		311,653	295,912	294,148
		1,877,967	1,756,698	1,694,042
Capital and reserves				
Share capital	32	**10,796**	10,796	10,771
Reserves		**1,826,839**	1,708,361	1,644,230
Equity attributable to owners of the Company		**1,837,635**	1,719,157	1,655,001
Non-controlling interests		**40,332**	37,541	39,041
Total equity		**1,877,967**	1,756,698	1,694,042

The consolidated financial statements on pages 54 to 150 were approved and authorised for issue by the Board of Directors on 31 March 2023 and are signed on its behalf by:

Wang Xingshan
DIRECTOR

Wang Yusen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	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 2021 (Restated)	**10,796**	**1,371,809**	**(499,124)**	**98**	**1,245**	**12,250**	**104,044**	**(347,589)**	**1,065,628**	**1,719,157**	**37,541**	**1,756,698**
Profit for the year	–	–	–	–	–	–	–	–	118,690	118,690	6,119	124,809
Other comprehensive (loss) income	–	–	–	–	–	(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 36)	–	–	–	–	–	–	(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 33)	–	–	–	–	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**
At 1 January 2021 (Restated)	10,771	1,364,132	(499,124)	98	51,314	13,095	97,772	(347,589)	964,532	1,655,001	39,041	1,694,042
Profit (loss) for the year (Restated)	–	–	–	–	–	–	–	–	53,761	53,761	(1,247)	52,514
Other comprehensive (expense) income (Restated)	–	–	–	–	–	(845)	6,272	–	–	5,427	(253)	5,174
Total comprehensive (expense) income for the year (Restated)	–	–	–	–	–	(845)	6,272	–	53,761	59,188	(1,500)	57,688
Reversal of equity-settled share-based payments (Restated) (Note 33)	–	–	–	–	(163)	–	–	–	–	(163)	–	(163)
Exercise of share options (Restated) (Note 33)	25	7,677	–	–	(2,571)	–	–	–	–	5,131	–	5,131
Annulment of share options (Restated) (note iv)	–	–	–	–	(47,335)	–	–	–	47,335	–	–	–
	25	7,677	–	–	(50,069)	–	–	–	47,335	4,968	–	4,968
At 31 December 2021 (Restated)	10,796	1,371,809	(499,124)	98	1,245	12,250	104,044	(347,589)	1,065,628	1,719,157	37,541	1,756,698

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 nominal amount of the Company's shares issued for the acquisition at the time of the reorganisation prior to the listing of the Company's shares in 2003.

(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".

(iv) In 2021, 51,244,000 vested share options held by directors and employees were annulled, and share-based payments reserve recognised in the previous years was transferred to retained profits. Details of the share options scheme are set out in Note 33.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit for the year	**124,809**	52,514
Adjustments for:		
Income tax (refund)	**23,831**	(2,571)
Share of results of associates	**(6,049)**	(9,033)
Share of results of joint ventures	**(45,016)**	(2,507)
Interest income on bank deposits	**(15,591)**	(9,904)
Interest income on financial assets at FVTPL	**—**	(3,817)
Finance costs	**1,629**	1,486
Changes in fair value of investment properties	**14,178**	21,292
Depreciation of property, plant and equipment	**36,862**	40,136
Depreciation of right-of-use assets	**20,256**	18,198
Amortisation of other intangible assets	**14,055**	13,218
Net loss (gain) on disposal and written off of property, plant and equipment	**337**	(653)
Impairment loss recognised in respect of investment in an associate	**—**	(7,865)
Impairment loss, net of reversal - financial assets	**9,972**	9,418
Impairment loss on contract assets	**32,103**	5,790
Utilisation for onerous contracts	**(13,809)**	(4,102)
Government subsidies and grants	**(58,388)**	(8,353)
Recognition (reversal) of equity-settled share-based payments	**114**	(163)
Loss on disposal of a subsidiary	**19**	2,309
Bargain purchase gain on acquisition of a subsidiary	**(95)**	—
Additional distribution from an associate	**—**	(16,970)
Operating cash flows before movements in working capital	**139,217**	98,423
Decrease (increase) in inventories	**1,257**	(650)
Increase in trade and bills receivables	**(497,558)**	(263,935)
Increase in debt instruments at FVTOCI	**(32,583)**	(6,890)
Increase in prepayments, deposits and other receivables	**(75,867)**	(84,654)
(Increase)decrease in contract assets	**(171,272)**	69,148
Increase in amounts due from fellow subsidiaries	**(31,134)**	(60,920)
Decrease (increase) in amount due from ultimate holding company	**1,339**	(685)
Increase (decrease) in trade payables	**418,357**	(21,717)
Increase in other payables, deposits received and accrued expenses	**66,272**	152,620
Increase in contract liabilities	**183,467**	152,406
Increase in amounts due to fellow subsidiaries	**176,340**	12,066
(Decrease)increase in amount due to ultimate holding company	**(368)**	250
Increase in deferred income	**32,763**	50,171
Cash generated from operations	**210,230**	95,633
Income taxes paid	**(17,743)**	(7,531)
NET CASH FROM OPERATING ACTIVITIES	**192,487**	88,102

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000 (Restated)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(31,826)**	(37,561)
Proceeds from disposal of property, plant and equipment		**932**	1,744
Purchases of other intangible assets		**(4,850)**	—
Interest received		**15,591**	9,904
Interest income on financial assets at FVTPL		**—**	3,817
Withdrawal of pledged bank deposits		**12,222**	13,807
Placement of pledged bank deposits		**(11,220)**	(25,095)
Dividend and capital reduction received from an associate		**3,697**	77,417
Additional distribution from an associate		**—**	16,970
Advance to fellow subsidiaries		**(3,287)**	(11,441)
Repayment from fellow subsidiaries		**2,395**	5,525
Advance to ultimate holding company		**(2,968)**	(950)
Net cash from acquisition of a subsidiary		**(3,236)**	—
Net cash from disposal of a subsidiary	36	**25,444**	35,743
NET CASH FROM INVESTING ACTIVITIES		**2,894**	89,880
FINANCING ACTIVITIES			
Repayment to ultimate holding company		**(574)**	(1,726)
Repayment to fellow subsidiaries		**(6,101)**	—
Received from ultimate holding company		**—**	2,358
Received from fellow subsidiaries		**—**	740
Repayments of lease liabilities		**(21,845)**	(17,390)
Interest paid on lease liabilities		**(1,081)**	(1,200)
Repayments of factoring of trade receivables		**(72,786)**	(57,041)
Received from factoring of trade receivables		**72,786**	57,041
Interest paid on factoring of trade receivables		**(548)**	(286)
Proceeds from exercise of share options		**—**	5,131
Acquisition of additional interest in a subsidiary		**(4,578)**	—
Capital injection from other shareholder of a subsidiary		**1,780**	—
NET CASH USED IN FINANCING ACTIVITIES		**(32,947)**	(12,373)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**162,434**	165,609
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,033,139**	871,001
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(2,403)**	(3,471)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Bank balances and cash		**1,193,170**	1,033,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL

Inspur Digital Enterprise Technology Limited, formerly known as Inspur International 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 introduction to the annual report.

The functional currency of the Company is Renminbi ("RMB"). The presentation currency of the consolidated financial statements in prior financial periods was Hong Kong Dollar ("HK$"). During the year ended December 31, 2022, the Group changed its presentation currency from HK$ to RMB, considering that (i) the Company's primary subsidiaries were incorporated in the PRC and their transactions are denominated and settled in RMB; and (ii) to reduce the impact of fluctuations in the exchange rate of HK$ against RMB on the Group's consolidated financial statements. The change in presentation currency of the Group has been applied retrospectively, the comparative information has been restated to reflect the change in presentation currency to RMB accordingly. The Group has also presented the consolidated statement of financial position as at 1 January 2021 without related notes.

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).

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

2.1 Impacts on application of Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1 January 2022. Specifically, the Group's assessment of onerous contracts in relation to the outstanding unfulfilled software development contracts.

The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB25,955,000 and RMB20,248,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT 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.

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

3.1 Basis of preparation of consolidated financial statements (continued)

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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.

Business combinations

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK (IFRIC) - Int 21 *Levies* instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

3.2 Significant accounting policies (continued)

Business combinations (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 and HKAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

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

3.2 Significant accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit (or group of cash-generating units) may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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.

Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

Changes in the Group's interests in associates and joint ventures (continued)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable and 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 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and 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.

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. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and building held for administrative purposes other than properties under construction as described below are stated in the consolidated financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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.

Prior to application of HKAS 37 amendments on 1 January 2022, the Group only considers incremental costs (e.g. direct labour and materials) when assessing whether a contract is onerous or loss-making. Effective 1 January 2022, outstanding unfulfilled contracts as at 1 January 2022 are assessed by considering both the incremental costs and an allocation of other costs (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant 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 and fellow subsidiaries, trade payables, other payables, deposits received and accrued expenses are subsequently measured at amortised cost, using the effective interest method.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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 OCI.

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 RMB747,920,000 (2021: RMB772,975,000) 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 term yield, reversionary yield 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 receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade 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 2022, the gross carrying amount of trade and bills receivables and contract assets were RMB1,116,227,000 and RMB488,556,000, respectively and the balances of allowance for credit losses were RMB63,695,000and 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 38.

Deferred taxation on withholding tax arising from PRC subsidiaries

As at 31 December 2022, a deferred tax liability of RMB44,807,000 (2021: RMB37,431,000) was recognised in relation to withholding tax arising from PRC subsidiaries. The tax rate used in the deferred tax liability mainly depends on whether the Company could obtain the Hong Kong residency certification. In cases the certification is not obtained as expected, further recognition of deferred tax liability may arises, which would be recognised in profit or loss for the period in which such further recognition takes place.

5. REVENUE

A. Disaggregation of revenue from contracts with customers

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
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				
A 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)

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

	For the year ended 31 December 2021			
Segments	Cloud services RMB'000 (Restated)	Management software RMB'000 (Restated)	Internet of things (IoT) solution RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Types of goods or services				
Sales of IT peripherals and software	—	—	637,182	637,182
Software development	752,563	1,382,913	—	2,135,476
Other software services	—	477,743	—	477,743
	752,563	1,860,656	637,182	3,250,401
Geographical markets				
Mainland China	752,563	1,715,161	637,161	3,104,885
United States	—	141,676	21	141,697
Others	—	3,819	—	3,819
	752,563	1,860,656	637,182	3,250,401
Timing of revenue recognition				
A point in time	—	—	637,182	637,182
Over time	752,563	1,860,656	—	2,613,219
	752,563	1,860,656	637,182	3,250,401

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 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 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

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2021

	For the year ended 31 December 2021			
Segments	Cloud services RMB'000 (Restated)	Management software RMB'000 (Restated)	Internet of things (IoT) solution RMB'000 (Restated)	Consolidated RMB'000 (Restated)
Segment revenue	752,563	1,860,656	637,182	3,250,401
Segment (loss) profit	(108,795)	105,953	16,648	13,806
Unallocated other income, gains and losses, net				98,013
Changes in fair value of investment properties				(21,292)
Share of results of associates				9,033
Share of result of a joint venture				2,507
Share-based payments				163
Unallocated administrative expenses				(35,553)
Unallocated selling and distribution expenses				(40)
Impairment losses under ECL model, net of reversal				(15,208)
Finance costs				(1,486)
Profit before tax				49,943

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

The CODM 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*	
	2022 RMB'000	2021 RMB'000 (Restated)	2022 RMB'000	2021 RMB'000 (Restated)
Mainland China	6,897,018	3,104,885	1,545,276	1,522,838
Hong Kong	—	—	27,130	26,008
Others	69,572	145,516	4,129	5,541
	6,966,590	3,250,401	1,576,535	1,554,387

* 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 2022 (2021: none).

7. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2022 RMB'000	2021 RMB'000 (Restated)
Other income:		
Interest income on bank deposits	15,591	9,904
Interest income on financial assets at FVTPL	—	3,817
VAT refund (note i)	100,669	74,940
Government subsidies and grants (note ii)	58,594	15,796
Rental income	41,099	46,855
Additional distribution from an associate	—	16,970
Bargain purchase gain on acquisition of a subsidiary	95	—
Others	44	743
	216,092	169,025
Other gains and losses, net:		
Net foreign exchange gain (loss)	2,136	(1,748)
Net (loss) gain on disposal and written off of property, plant and equipment	(337)	653
Impairment loss recognised in respect of investment in an associate	—	7,865
Loss on disposal of a subsidiary (Note 36)	(19)	(2,309)
Others	(2,811)	(533)
	(1,031)	3,928

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") 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 2022, income of approximately RMB6,679,000 (2021: RMB11,749,000) 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 2022, income of approximately RMB51,915,000 (2021: RMB4,047,000) 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 fulfil by the Group.

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

	2022 RMB'000	2021 RMB'000 (Restated)
Impairment losses recognised (reversed) on:		
– Trade and bills receivables	**15,984**	10,758
– Other receivables	**(1,417)**	102
– Contract assets	**32,103**	5,790
– Amounts due from related parties	**(4,595)**	(1,442)
	42,075	15,208

9. INCOME TAX EXPENSES (BENEFITS)

	2022 RMB'000	2021 RMB'000 (Restated)
Current tax:		
PRC EIT	**13,218**	3,976
Under (over) provision in prior years		
PRC EIT	**11,393**	(4,446)
Deferred tax (Note 35)	**(780)**	(2,101)
	23,831	(2,571)

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 2022 and 2021.

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% (2021:10%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. INCOME TAX EXPENSES (BENEFITS) (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:

	2022 RMB'000	2021 RMB'000 (Restated)
Profit before tax	**148,640**	49,943
Tax at PRC EIT rate of 25% (2021: 25%) (note)	**37,160**	12,486
Tax effect of share of profit of associates	**(1,512)**	(2,258)
Tax effect of share of profit of a joint venture	**(11,254)**	(627)
Tax effect of tax losses and deductible temporary differences not recognised	**70,046**	63,611
Utilisation of tax losses and deductible temporary differences previously not recognised	**(4,647)**	(7,534)
Under (over) provision in respect of prior years	**11,393**	(4,446)
Tax effect of expenses not deductible for tax purpose	**35,853**	13,124
Tax effects of income not taxable for tax purpose	**(10,330)**	(4,922)
Tax effect of additional deduction for research and development expenses	**(109,446)**	(78,670)
Income tax at concessionary rate	**(3,900)**	(450)
Deferred tax on withholding tax arising from PRC subsidiaries	**7,376**	8,214
Tax effect on changes in fair value of investment properties in Mainland China	**(3,120)**	(4,587)
Withholding tax on distributed earnings	**6,212**	3,488
Income tax expenses (benefits) for the year	**23,831**	(2,571)

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 RMB522,708,000 (2021: RMB338,080,000), 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 RMB478,004,000 (2021: RMB291,180,000) will expire in various years before 2032 (2021: 2031). Other tax losses may be carried forward indefinitely.

10. PROFIT FOR THE YEAR

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

	2022 RMB'000	2021 RMB'000 (Restated)
Depreciation for property, plant and equipment	**36,862**	40,136
Depreciation for right-of-use assets	**20,256**	18,198
Amortisation for other intangible assets	**14,055**	13,218
Total depreciation and amortisation	**71,173**	71,552
Auditor's remuneration	**3,936**	2,839
Expense relating to short-term leases	**29,055**	29,972
Gross rental income from investment properties	**(48,711)**	(53,029)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	**4,967**	4,544
direct operating expenses incurred for investment properties that did not generate rental income during the year	**2,645**	1,630
	(41,099)	(46,855)
Directors' remuneration (Note 11)	**7,507**	4,203
Other staff costs		
Salaries and other benefits	**1,742,374**	1,485,976
Share-based payments	**114**	(163)
Retirement benefits schemes contributions	**226,896**	169,772
	1,969,384	1,655,585
Cost of inventories recognised as expense in cost of sales	**2,600,227**	680,460

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	Total RMB'000
For the year ended 31 December 2022				
Executive Directors (note i)				
Wang Xingshan (note ii)	—	2,705	96	2,801
Wang Yusen (note iii)	—	1,206	96	1,302
Cui Hongzhi (note iv)	—	2,799	79	2,878
Jin Xiaozhou, Joe (note ix)	—	286	33	319
Non-Executive Director (note v)				
Li Chunxiang (note vi)	—	—	—	—
Dong Hailong (note x)	—	—	—	—
Independent Non-Executive Directors (note vii)				
Wong Lit Chor, Alexis	103	—	—	103
Zhang Ruijun	52	—	—	52
Ding Xiangqian	52	—	—	52
Total	207	6,996	304	7,507

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

		Other emoluments		
	Fees RMB'000 (Restated)	Salaries and other benefits RMB'000 (Restated)	Retirement benefits scheme contributions RMB'000 (Restated)	Total RMB'000 (Restated)
For the year ended 31 December 2021				
Executive Directors (note i)				
Wang Xingshan (note ii)	—	1,704	75	1,779
Zhang Yuxin (note viii)	—	744	15	759
Jin Xiaozhou, Joe (note ix)	—	1,073	84	1,157
Wang Yusen (note iii)	—	254	54	308
Non-Executive Director (note v)				
Dong Hailong (note x)	—	—	—	—
Independent Non-Executive Directors (note vii)				
Wong Lit Chor, Alexis	100	—	—	100
Zhang Ruijun	50	—	—	50
Ding Xiangqian	50	—	—	50
Total	200	3,775	228	4,203

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 is the Chairman of the board. His emoluments disclosed above include those services rendered by him as the Chairman of the board.

iii Wang Yusen was appointed as Executive Director on 24 May 2021.

iv Cui Hongzhi was appointed as Executive Director on 30 April 2022.

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

vi Li Chunxiang was appointed as Non-executive Director on 30 April 2022.

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

viii Zhang Yuxin resigned as Executive Director on 24 May 2021.

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

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

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

During the year ended 31 December 2022, no (2021: nil) share options were granted to directors of the Company in respect of their services to the Group under the Option Scheme (as defined in Note 33).

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, two (2021: none) directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining three (2021: five) highest paid individuals were as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Salaries and other benefits	5,322	10,096
Retirement benefit scheme contributions	331	282
	5,653	10,378

Their remuneration were within the following bands:

	2022 No. of employees	2021 No. of employees
HK$1,500,001 to HK$2,000,000	1	—
HK$2,000,001 to HK$2,500,000	2	4
HK$3,000,001 to HK$3,500,000	—	1
	3	5

During the year ended 31 December 2022, no (2021: nil) share options were granted to non-director and non-chief executive highest paid.

No remuneration was paid by the Group to any 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$0.02 in respect of the year ended 31 December 2022 (2021: Nil) per ordinary share, amounting to HK$22,838,000 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:

	2022 RMB'000	2021 RMB'000 (Restated)
Earnings		
Profit for the year attributable to the owners of the Company	**118,690**	53,761

	2022 '000	2021 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,141,920**	1,139,829
Effect of dilutive potential ordinary shares arising from the outstanding share options	**120**	3,642
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,142,040**	1,143,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 2021(Restated)	304,249	74,864	7,481	64,384	30,931	1,486	483,395
Additions (Restated)	—	3,645	—	27,470	7,237	27	38,379
Transfer from investment properties (Restated)	35,771	4,575	—	—	—	—	40,346
Transfer to investment properties (Restated)	(3,681)	—	—	—	—	—	(3,681)
Disposals/written off (Restated)	(120)	—	—	(953)	(564)	(182)	(1,819)
Exchange adjustments (Restated)	(255)	(11)	—	—	—	—	(266)
At 31 December 2021(Restated)	**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**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2021 (Restated)	41,456	44,502	6,556	34,179	21,771	1,307	149,771
Charge for the year (Restated)	7,480	7,840	381	17,714	6,680	41	40,136
Eliminated on transfer to investment properties (Restated)	(428)	—	—	—	—	—	(428)
Eliminated on disposals/written off (Restated)	(45)	—	—	(70)	(439)	(174)	(728)
Exchange adjustments (Restated)	(59)	(10)	—	—	—	—	(69)
At 31 December 2021(Restated)	**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 disposals/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**
CARRYING VALUES							
At 31 December 2022	290,861	26,311	7	47,232	9,874	116	374,401
At 31 December 2021(Restated)	287,560	30,741	544	39,078	9,592	157	367,672

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 2021 (Restated)	833,895
Transfer from property, plant and equipment (Restated)	2,920
Transfer to property, plant and equipment and right-of-use assets (Restated)	(41,930)
Changes in fair value of investment properties (Restated)	(21,292)
Exchange adjustments (Restated)	(618)
At 31 December 2021 (Restated)	**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**

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 2022 was approximately RMB747,920,000 (2021: RMB772,975,000). The fair value has been arrived at based on a valuation carried out by Asset Appraisal Limited, 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 2022 and 2021 are as follows:

	At 31 December 2022		At 31 December 2021	
	Level 3 RMB'000	Fair value RMB'000	Level 3 RMB'000 (Restated)	Fair value RMB'000 (Restated)
Commercial property units located				
– Hong Kong	20,760	20,760	19,825	19,825
– Jinan	413,700	413,700	439,300	439,300
– Beijing - Tianyuan Network	302,500	302,500	302,900	302,900
– Beijing - Zhengzhou Hualiang	5,200	5,200	5,200	5,200
– Changsha - Zhengzhou Hualiang	2,740	2,740	2,830	2,830
– Changchun - Zhengzhou Hualiang	3,020	3,020	2,920	2,920
	747,920	747,920	772,975	772,975

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: – Term yield – Reversionary yield – Market rent of comparable properties	Key and unobservable inputs are: – Term yield: 5.30% (2021: 5.45%) – Reversionary yield: 5.90% (2021: 5.95%) – Market rent of comparable properties ranged from monthly amounts RMB59.40 to RMB71.25 (2021: RMB64.89 to RMB73.97) per square meter, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the term yield and reversionary yield, 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: – Term yield – Reversionary yield – Market rent of comparable properties	Key and unobservable inputs are: – Term yield: 4.80% (2021: 4.80%) – Reversionary yield: 5.40% (2021: 5.30%) – Market rent of comparable properties ranged from monthly amounts of RMB135.00 to RMB160.00 (2021: RMB135.00 to RMB165.00) per square meter for office building and RMB569.00 to RMB640.00 (2021: RMB560.00 to RMB700.00) for every parking lot, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the term yield and reversionary yield, 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 2021 (Restated)	40,589	20,516	61,105
Additions (Restated)	—	19,940	19,940
Transfer from investment properties (Restated)	1,584	—	1,584
Depreciation charge (Restated)	(1,112)	(17,086)	(18,198)
Exchange adjustments (Restated)	—	451	451
Carrying amount at 31 December 2021 (Restated)	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**

	2022 RMB'000	2021 RMB'000 (Restated)
Expense relating to short-term leases	**29,055**	29,972
Total cash outflow for leases	**51,983**	48,566

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.

Restrictions or covenants on leases

In addition, lease liabilities of RMB20,248,000 (2021: RMB20,274,000) are recognised with related right-of-use assets of RMB25,955,000 (2021: RMB23,821,000) as at 31 December 2022. 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 2021 (Restated)	90,080	48,354	5,419	143,853
Exchange adjustments (Restated)	—	(1,537)	—	(1,537)
At 31 December 2021 (Restated)	**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**
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2021 (Restated)	34,507	48,354	5,419	88,280
Addition (Restated)	13,218	—	—	13,218
Exchange adjustments (Restated)	—	(1,537)	—	(1,537)
At 31 December 2021 (Restated)	**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**
CARRYING AMOUNTS				
At 31 December 2022	34,000	—	—	34,000
At 31 December 2021 (Restated)	42,355	—	—	42,355

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

	2022 RMB'000	2021 RMB'000 (Restated)
Unlisted investment:		
Equity securities		
At 1 January	**28,000**	19,411
Fair value change	**(39)**	8,589
Disposal	**(27,961)**	—
At 31 December	**—**	28,000

The above unlisted equity investment represents the Group's equity interest in a private entity established in the PRC. The directors of the Company have elected to designate this investment as equity instrument at FVTOCI upon the adoption of HKFRS 9 as the investment is 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"), the then subsidiary of the Group. On 27 May 2022, the Group disposed the entire equity interest of Genersoft Information as set out in Note 36.

20. INTERESTS IN ASSOCIATES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
Cost of investments in associates - unlisted	**200,000**	206,000
Share of post-acquisition profits, net of dividends received	**17,604**	9,252
	217,604	215,252

20. INTERESTS IN ASSOCIATES (continued)

As at 31 December 2022 and 2021, 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
			2022	2021	**2022**	2021	
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
Beidahuang Inspur Information Co., Ltd. ("Beidahuang") 北大荒浪潮信息有限公司	Domestic limited liability company ("DLLC")	PRC	**–**	40%	**–**	40%	Providing information technology consulting and software development services
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%**	–	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 2022, the Group had not actually invested in the affiliated company, Inspur Gongchuang.

Summarised financial information of the associates

Summarised financial information in respect of the Group's associates 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

	2022 RMB'000	2021 RMB'000 (Restated)
Current assets	**8,364,367**	8,183,134
Non-current assets	**4,284,850**	3,503,483
Current liabilities	**(11,561,197)**	(10,629,771)
Revenue	**156,372**	139,791
Profit and total comprehensive income for the year	**31,175**	50,661

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:

	2022 RMB'000	2021 RMB'000 (Restated)
Net assets of Inspur Finance	**1,088,020**	1,056,846
Proportion of the Group's ownership interest in Inspur Finance	**20%**	20%
The Group's share of net assets of Inspur Finance	**217,604**	211,369

Beidahuang

	2021 RMB'000 (Restated)
Current assets	10,043
Non-current assets	277
Current liabilities	(614)
Revenue	85
Loss and total comprehensive expense for the year	(2,749)

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:

	2021 RMB'000 (Restated)
Net assets of Beidahuang	9,706
Proportion of the Group's ownership interest in Beidahuang	40%
The Group's share of net assets of Beidahuang	3,883

21. INTEREST IN A JOINT VENTURE

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
Cost of investment in a joint venture - unlisted	**150,000**	150,000
Share of post-acquisition losses	**(13,733)**	(58,749)
	136,267	91,251

As at 31 December 2022 and 2021, 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.

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.

	2022 RMB'000	2021 RMB'000 (Restated)
Current assets	**446,118**	171,120
Non-current assets	**30,651**	189,048
Current liabilities	**(53,129)**	(72,946)
Non-current liabilities	**(18)**	(40)
Non-controlling interest of Inspur Cloud's subsidiary	**(14,821)**	(13,430)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**95,097**	47,304

21. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

	2022 RMB'000	2021 RMB'000 (Restated)
Revenue	**113,803**	329,794
Profit and total comprehensive income for the year	**135,049**	7,521

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:

	2022 RMB'000	2021 RMB'000 (Restated)
Net assets attributable to owners of the Inspur Cloud	**408,801**	273,752
Proportion of the Group's ownership interest in Inspur Cloud	**33.33%**	33.33%
Carrying amount of the Group's interest in Inspur Cloud	**136,267**	91,251

22. INVENTORIES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
Computer equipment and software products	**438**	1,695

23. TRADE AND BILLS RECEIVABLES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
Trade and bills receivables		
– contracts with customers	**1,116,227**	619,145
Less: Allowance for credit losses	**(63,695)**	(49,935)
Total trade and bills receivables	**1,052,532**	569,210

23. TRADE AND BILLS RECEIVABLES (continued)

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

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
0-30 days	**629,782**	376,415
31-60 days	**126,106**	64,361
61-90 days	**56,238**	27,132
91-120 days	**37,649**	24,740
121-180 days	**44,423**	18,182
Over 180 days	**158,334**	58,380
	1,052,532	569,210

As at 31 December 2022, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB422,750,000 (2021: RMB192,795,000) which are past due as at the reporting date. Out of the past due balances, RMB202,757,000 (2021: RMB76,562,000) 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:

	2022 RMB'000	2021 RMB'000 (Restated)
1 January	**49,935**	39,852
Impairment losses recognised	**16,087**	10,758
Impairment losses reversed	**(103)**	—
Write-offs	**(2,224)**	(675)
31 December	**63,695**	49,935

Details of impairment assessment of trade and bills receivables for the year ended 31 December 2022 are set out in Note 38.

24. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
CONTRACT ASSETS		
Current - software development	**363,677**	224,508
CONTRACT LIABILITIES		
Current - software development	**(1,076,509)**	(893,042)

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

	2022 RMB'000	2021 RMB'000 (Restated)
Software development contracts		
Revenue recognised that was included in the contract liability balance at the beginning of the year	**595,699**	696,617

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% deposit on acceptance of orders.

25. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
Amounts due from related companies:		
Trading in nature		
Fellow subsidiaries	**283,937**	249,073
Ultimate holding company	**1,851**	2,180
	285,788	251,253
Non-trading in nature		
Fellow subsidiaries	**12,881**	12,090
Ultimate holding company	**3,898**	973
	16,779	13,063
Total amounts due from related companies	**302,567**	264,316
Analysed as:		
Amounts due from fellow subsidiaries	**296,818**	261,163
Amount due from ultimate holding company	**5,749**	3,153
Total amounts due from related companies	**302,567**	264,316

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 38.

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 1.75% (2021: 0 to 1.61%) per annum.

At 31 December 2022, 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% (2021: 0 to 2.75%) per annum.

27. TRADE PAYABLES

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

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
0-60 days	**493,462**	119,423
61-90 days	**32,197**	4,084
More than 90 days	**72,349**	56,128
	598,008	179,635

28. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
Salaries, welfare and bonus payable	**474,106**	424,783
Other tax payable	**94,224**	78,987
Others	**77,956**	76,063
	646,286	579,833

29. LEASE LIABILITIES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
Lease liabilities payable:		
Within one year	**12,322**	12,026
Within a period of more than one year but not more than two years	**4,852**	3,886
Within a period of more than two years but not more than five years	**3,074**	4,362
	20,248	20,274
Less: Amount due for settlement with 12 months shown under current liabilities	**(12,322)**	(12,026)
Amount due for settlement after 12 months shown under non-current liabilities	**7,926**	8,248

The weighted average incremental borrowing rates applied to lease liabilities range from 4.35% to 4.90% (2021: from 4.35% to 4.90%).

30. PROVISIONS

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
Analysed for reporting purposes as:		
Current liabilities	**12,551**	26,360

	2022 RMB'000	2021 RMB'000 (Restated)
1 January	**26,360**	30,462
Additional provision in the year	**2,810**	7,346
Utilisation of provision	**(16,619)**	(11,448)
31 December	**12,551**	26,360

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

31. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000 (Restated)
Trading in nature		
Fellow subsidiaries	**220,575**	44,235
Ultimate holding company	**568**	936
	221,143	45,171
Non-trading in nature		
Fellow subsidiaries	**3,402**	9,503
Ultimate holding company	**399**	973
	3,801	10,476
Total amounts due to related companies	**224,944**	55,647
Analysed as:		
Amounts due to fellow subsidiaries	**223,977**	53,738
Amount due to ultimate holding company	**967**	1,909
Total amounts due to related companies	**224,944**	55,647

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. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2022	2021	**2022**	2021
	'000	'000	**RMB'000**	RMB'000
				(Restated)
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 of year	**1,141,920**	1,138,920	**10,796**	10,771
Exercise of share options	**—**	3,000	**—**	25
At end of year	**1,141,920**	1,141,920	**10,796**	10,796

33. SHARE OPTION SCHEMES

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 2022, the number of share options had been granted and remained outstanding under the Option Schemes are 1,316,000 shares (2021: 1,316,000 shares) representing less than 1% (2021: less than 1%) of the issued share capital of the Company.

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.

33. SHARE OPTION SCHEMES (continued)

Equity-settled share options scheme (continued)

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.

2017 Option

On 1 December 2017, 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$2.06 per share.

Among the options granted above, 3,000,000 share options were granted to an executive director. One third of the options may be exercisable from 1 April 2018; another one third of the options may be exercisable from 1 April 2019; and the remaining options may be exercisable from 1 April 2020. The exercise of the options is subject to the grantee meeting the performance target determined by the board of directors of the Company. All options will be vested on the first day of respective exercise period.

The remaining 27,000,000 options were granted to certain employees. One third of the share options were exercisable at the date of grant; one third of the share options may be exercisable after 1 year from the date of grant; the remaining share options are exercisable after 2 years from the date of grant. Other than those options exercisable at the date of grant, the exercise of the options is subject to the grantee meeting his or her performance target determined by the board of directors 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 1 December 2017 is RMB23,318,000.

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.

33. 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.

33. SHARE OPTION SCHEMES (continued)

Equity-settled share options scheme (continued)

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

	2020 Option	2018 Option	2017 December Option
Share price	HK$2.29	HK$3.05	HK$2.06
Exercise price	HK$2.29	HK$3.16	HK$2.06
Expected volatility	43.57%	46.37%	50.69%
Expected life	10 years	10 years	10 years
Risk - free rate	0.52%	2.48%	1.75%
Expected dividend yield	—	1.14%	1.62%

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 2022 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**

33. SHARE OPTION SCHEMES (continued)

Equity-settled share options scheme (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 2022 and 2021:

	Outstanding at 1 January 2021	Exercised during the year 2021	Forfeited during the year 2021	Outstanding at 31 December 2021 and 2022
2017 Option	28,400,000	(3,000,000)	(25,400,000)	—
2018 Option	24,760,000	—	(24,160,000)	**600,000**
2020 Option	2,400,000	—	(1,684,000)	**716,000**
	55,560,000	(3,000,000)	(51,244,000)	**1,316,000**
Weighted average exercise price	HK$2.56	HK$2.06	HK$2.59	**HK$2.69**

No share options were exercised for the year ended 31 December 2022. In respect of the share options exercised for the year ended 31 December 2021, 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 1,076,000 (2021: 600,000).

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at 1 January 2021	Exercised during the year 2021	Forfeited during the year 2021	Outstanding at 31 December 2021 and 2022
2017 Option	3,000,000	(3,000,000)	—	—
2018 Option	6,100,000	—	(5,500,000)	**600,000**
	9,100,000	(3,000,000)	(5,500,000)	**600,000**

The Group recognised the total expense of RMB114,000 (2021: reversed RMB163,000) for the year ended 31 December 2022 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.

34. 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.

35. DEFERRED TAX

The following are the deferred tax liabilities 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 2021 (Restated)	(29,217)	—	(48,865)	(127,065)	(360)	(205,507)
Transfer from property, plant and equipment to investment properties	—	—	125	(125)	—	—
(Charge) credit to profit or loss	(9,301)	(3,342)	1,493	13,251	—	2,101
Credit (charge) to other comprehensive expense	—	—	—	50	(2,147)	(2,097)
Others	1,087	—	—	—	—	1,087
At 31 December 2021 (Restated)	**(37,431)**	**(3,342)**	**(47,247)**	**(113,889)**	**(2,507)**	**(204,416)**
(Charge) credit to profit or loss	**(7,376)**	**(409)**	**1,492**	**7,073**	**—**	**780**
Credit to other comprehensive expense	**—**	**—**	**—**	**—**	**9**	**9**
Disposal of a subsidiary (Note 36)	**—**	**—**	**—**	**—**	**2,498**	**2,498**
At 31 December 2022	**(44,807)**	**(3,751)**	**(45,755)**	**(106,816)**	**—**	**(201,129)**

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 RMB139,489,000 (2021: RMB126,478,000) 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.

36. 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

	7 May 2022
Analysis of assets and liabilities over which control was lost:	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

36. DISPOSAL OF A SUBSIDIARY (continued)

On 27 September 2021, the Group disposed of a subsidiary, Jinan Inspur Digital Communication Co., Ltd. ("Digital Communication"). The net assets of Digital Communication at the date of disposal were as follows:

Consideration received:	RMB'000 (Restated)
Cash received and total consideration received	76,529

	27 September 2021
Analysis of assets and liabilities over which control was lost:	RMB'000 (Restated)
Interest in an associate	38,052
Bank balances and cash	40,786
Net assets disposed of	78,838
Loss on disposal of a subsidiary:	
Consideration received	76,529
Net assets disposed of	(78,838)
Loss on disposal	(2,309)
Net cash inflow arising on disposal:	
Cash consideration	76,529
Less: bank balances and cash disposed of	(40,786)
	35,743

37. 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.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 **RMB'000**	2021 RMB'000 (Restated)
Financial assets		
Equity instrument at FVTOCI	**—**	28,000
Debt instruments at FVTOCI	**43,548**	10,965
Financial assets at amortised cost	**2,678,974**	1,983,549
Financial liabilities		
Amortised cost	**900,908**	311,345

(b) Financial risk management objectives and policies

The Group's major financial instruments include debt instruments at FVTOCI, financial assets at FVTPL, 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 and fellow subsidiaries. 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.

38. 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	
	2022 RMB'000	2021 RMB'000 (Restated)	2022 RMB'000	2021 RMB'000 (Restated)
Relative to RMB:				
HK$	—	—	—	—
USD	3	3	—	—
Other currencies	3	3	—	—
Relative to HK$:				
USD	21,396	23,041	—	—
RMB	235	2,075	—	—
Other currencies	8,462	9,130	—	—

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% (2021: 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	2022 RMB'000	2021 RMB'000 (Restated)
USD impact	259	—
Other currency impact	332	421

38. 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 (see Note 29 for details). 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 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 (2021: 10 basis points) increase or 10 basis points (2021: 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 (2021: 10 basis points) higher or 10 basis points (2021: 10 basis points) lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022 would increase by RMB916,000 (2021: RMB797,000) and decrease by RMB916,000 (2021: RMB797,000), respectively.

Credit risk and impairment assessment

As at 31 December 2022, 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 and contract assets.

38. 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 2022 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 2022 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

38. 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 2022 RMB'000	Gross carrying amount 2021 RMB'000 (Restated)
Debt instruments at FVTOCI				
Debt instruments at FVTOCI	Low risk	12m ECL	**43,548**	10,965
Financial assets at amortised cost				
Trade and bills receivables (Note 23)	N/A (note ii)	Lifetime ECL (provision matrix)	**1,080,563**	581,154
	Loss	Lifetime ECL - credit-impaired	**35,664**	37,991
			1,116,227	619,145
Other receivables	Low risk (note i)	12m ECL	**90,029**	77,402
	Doubtful (note i)	Lifetime ECL - not credit-impaired	**13,387**	12,009
	Loss	Lifetime ECL - credit-impaired	**5,031**	5,861
			108,447	95,272
Amounts due from related companies – non-trading (Note 25)	Low risk (note i)	12m ECL	**11,139**	11,417
	Doubtful (note i)	Lifetime ECL - not credit-impaired	**6,068**	1,908
	Loss	Lifetime ECL - credit-impaired	**—**	11
			17,207	13,336
Amounts due from related companies - trading (Note 25)	N/A (note ii)	Lifetime ECL (provision matrix)	**290,781**	261,937
	Loss	Lifetime ECL - credit-impaired	**6,351**	5,400
			297,132	267,337
Pledged bank deposits (Note 26)	Low risk	12m ECL	**28,393**	29,395
Bank balances and cash (Note 26)	Low risk	12m ECL	**1,193,170**	1,033,139
Other items				
Contract assets (Note 24)	N/A (note ii)	Lifetime ECL (provision matrix)	**440,139**	263,265
	Loss	Lifetime ECL - credit-impaired	**48,417**	54,019
			488,556	317,284

38. 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 RMB84,081,000 (2021: RMB92,010,000) as at 31 December 2022 were assessed individually.

Gross carrying amount

	At 31 December 2022		At 31 December 2021	
	Average loss rate	Trade and bills Receivable RMB'000	**Average loss rate**	Trade and bills Receivable RMB'000 (Restated)
Current and within 1 year	**1.22%**	974,778	**1.02%**	543,513
Over 1 year and within 2 years	**12.70%**	95,187	**12.32%**	33,241
Over 2 years and within 3 years	**28.31%**	8,749	**31.91%**	2,624
More than 3 years	**87.36%**	1,849	**82.66%**	1,776
		1,080,563		581,154

	At 31 December 2022		At 31 December 2021	
	Average loss rate	Contract assets RMB'000	**Average loss rate**	Contract assets RMB'000 (Restated)
Current and within 1 year	**5.91%**	306,459	**5.13%**	197,160
Over 1 year and within 2 years	**24.35%**	90,745	**18.79%**	36,632
Over 2 years and within 3 years	**65.55%**	19,516	**61.26%**	19,911
More than 3 years	**100.00%**	23,419	**100.00%**	9,562
		440,139		263,265

38. 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 2021 (Restated)	7,157	32,695	39,852
Impairment losses recognised (Restated)	4,787	5,971	10,758
Write-offs (note i) (Restated)	—	(675)	(675)
At 31 December 2021(Restated)	**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**

38. 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.

	12m ECL RMB'000	Lifetime ECL (not credit -impaired) RMB'000	Lifetime ECL (credit -impaired) RMB'000	Total RMB'000
At 1 January 2021(Restated)	766	956	6,114	7,836
Impairment losses recognised (Restated)	289	—	—	289
Impairment losses reversed (Restated)	—	(89)	(98)	(187)
Write-offs (note i) (Restated)	—	—	(155)	(155)
At 31 December 2021 (Restated)	**1,055**	**867**	**5,861**	**7,783**
Impairment losses reversed	**182**	**(1,000)**	**(599)**	**(1,417)**
Write-offs (note i)	**—**	**—**	**(231)**	**(231)**
Exchange adjustments	**—**	**—**	**—**	**—**
At 31 December 2022	**1,237**	**(133)**	**5,031**	**6,135**

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.

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 2021(Restated)	34,846	52,140	86,986
Impairment losses recognised (Restated)	3,911	1,879	5,790
At 31 December 2021(Restated)	**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**

38. 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 2021(Restated)	53	—	—	53
Impairment losses recognised (Restated)	—	255	11	266
Impairment losses reversed (Restated)	(46)	—	—	(46)
At 31 December 2021(Restated)	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

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 2021 (Restated)	10,644	7,102	17,746
Impairment losses recognised (Restated)	40	—	40
Impairment losses reversed (Restated)	—	(1,702)	(1,702)
At 31 December 2021 (Restated)	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

38. 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 and fellow subsidiaries) 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 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

	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 2021 RMB'000
2021 (Restated)							
Trade payables	—	114,867	14,358	50,410	—	179,635	179,635
Other payables	—	41,877	1,099	33,087	—	76,063	76,063
Amount due to ultimate holding company	—	1,909	—	—	—	1,909	1,909
Amounts due to fellow subsidiaries	—	53,738	—	—	—	53,738	53,738
Lease liabilities	4.35-4.90	2,093	5,335	5,299	8,808	21,535	20,274
		214,484	20,792	88,796	8,808	332,880	331,619

38. FINANCIAL INSTRUMENTS (continued)

(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 2022 RMB'000	2021 RMB'000 (Restated)	Fair value hierarchy	Valuation techniques and key inputs
Equity instrument at FVTOCI	—	28,000	Level 3	Market approach – in this approach, the fair value of an asset by reference to the transaction information of comparable assets.
Debt instruments at FVTOCI	**43,548**	10,965	Level 2	Discounted cash flow – future cash flows discounted at a rate that reflects the credit risk of various counterparties.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI RMB'000
At 31 December 2021(Restated)	28,000
Fair value change	(39)
Disposal	(27,961)
At 31 December 2022	—

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.

39. 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 loans 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 2021(Restated)	—	(8,763)	(341)	(17,728)	(26,832)
New leases entered (Restated)	—	—	—	(19,940)	(19,940)
Interest expenses (Restated)	(286)	—	—	(1,200)	(1,486)
Repayments of factoring of trade receivables (Restated)	57,327	—	—	—	57,327
Repayments of lease liabilities (Restated)	—	—	—	18,594	18,594
Repayment to ultimate holding company (Restated)	—	—	1,726	—	1,726
Received from factoring of trade receivables (Restated)	(57,041)	—	—	—	(57,041)
Received from ultimate holding company (Restated)	—	—	(2,358)	—	(2,358)
Received from fellow subsidiaries (Restated)	—	(740)	—	—	(740)
At 31 December 2021(Restated)	**—**	**(9,503)**	**(973)**	**(20,274)**	**(30,750)**
New leases entered	**—**	**—**	**—**	**(20,987)**	**(20,987)**
Interest expenses	**(548)**	**—**	**—**	**(1,081)**	**(1,629)**
Repayments of factoring of trade receivables	**73,334**	**—**	**—**	**—**	**73,334**
Repayments of lease liabilities	**—**	**—**	**—**	**22,926**	**22,926**
Repayment to ultimate holding company	**—**	**—**	**574**	**—**	**574**
Received from factoring of trade receivables	**(72,786)**	**—**	**—**	**—**	**(72,786)**
Received from fellow subsidiaries	**—**	**6,634**	**—**	**—**	**6,634**
Net effect of exchange rate changes	**—**	**—**	**—**	**(828)**	**(828)**
At 31 December 2022	**—**	**(2,869)**	**(399)**	**(20,244)**	**(23,512)**

40. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was RMB41,099,000 (2021: RMB46,855,000). 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:

	2022 RMB'000	2021 RMB'000 (Restated)
Within one year	**1,047**	1,546
In the second year	**767**	414
In the third year	**474**	180
In the fourth year	**150**	180
In the fifth year	**—**	150
	2,438	2,470

41. 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 RMB227,200,000 (2021: RMB170,000,000).

During the years ended 31 December 2022 and 2021, 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 2022 and 2021 under the schemes which may be used by the Group to reduce the contribution payable in future years.

42. 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	
	2022 RMB'000	2021 RMB'000 (Restated)	**2022 RMB'000**	2021 RMB'000 (Restated)
Sales of goods	**695**	—	**278,811**	278,000
Services income	**12,553**	4,286	**665,469**	804,983
Property rental and related management service income	**13,302**	8,130	**27,473**	37,753
Interest income	**—**	—	**6,250**	7,606
Purchase of goods	**5**	—	**262,068**	58,326
Sales commission expenses	**—**	—	**6,002**	9,853
Property rental and related management service expenses	**1,545**	452	**9,597**	9,517

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 2022, certain operating lease rentals in respect of office premises and staff quarters amounted to RMB4,682,000 (2021: RMB4,084,000) were under operating leases signed by ultimate holding company on behalf of subsidiaries of the Group with third parties.

As of 31 December 2022, the balances of deposits with an associate, Inspur Finance, were RMB438,986,000 (2021: RMB498,528,000).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Company at 31 December 2022 and 2021 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 2022	Paid up issued ordinary share capital/registered capital 2021	Proportion of interest held by the Company 2022 Directly	Proportion of interest held by the Company 2022 Indirectly	Proportion of interest held by the Company 2021 Directly (Restated)	Proportion of interest held by the Company 2021 Indirectly (Restated)	Principal activities
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**	USD2,317,300	**–**	**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%**	–	40.43%	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	**RMB31,000,000/ RMB33,000,000**	RMB31,000,000/ RMB33,000,000	**–**	**64.52%**	–	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	**–**	–	**–**	**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**	RMB50,000,000	**–**	**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.

43. 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.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	At 31 December	
	2022	2021
	RMB'000	RMB'000
		(Restated)
Non-current Assets		
Interests in subsidiaries	**662,696**	662,696
Amounts due from subsidiaries	**704,136**	702,660
	1,366,832	1,365,356
Current Assets		
Amounts due from fellow subsidiaries	**13**	13
Amounts due from subsidiaries	**8,158**	8,158
Bank balances	**2,981**	9,131
	11,152	17,302
Current Liabilities		
Other payables	**9,898**	9,152
Amount due to ultimate holding company	**—**	407
Amounts due to subsidiaries	**326**	326
	10,224	9,885
Net Current Assets	**929**	7,417
Total Assets Less Current Liabilities	**1,367,761**	1,372,773
Non-current liabilities		
Amounts due to subsidiaries	**95,909**	95,900
	1,271,852	1,276,873
Capital and reserves		
Share capital (Note 32)	**10,796**	10,796
Reserves	**1,261,056**	1,266,077
Total Equity	**1,271,852**	1,276,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Statement of financial position (continued)

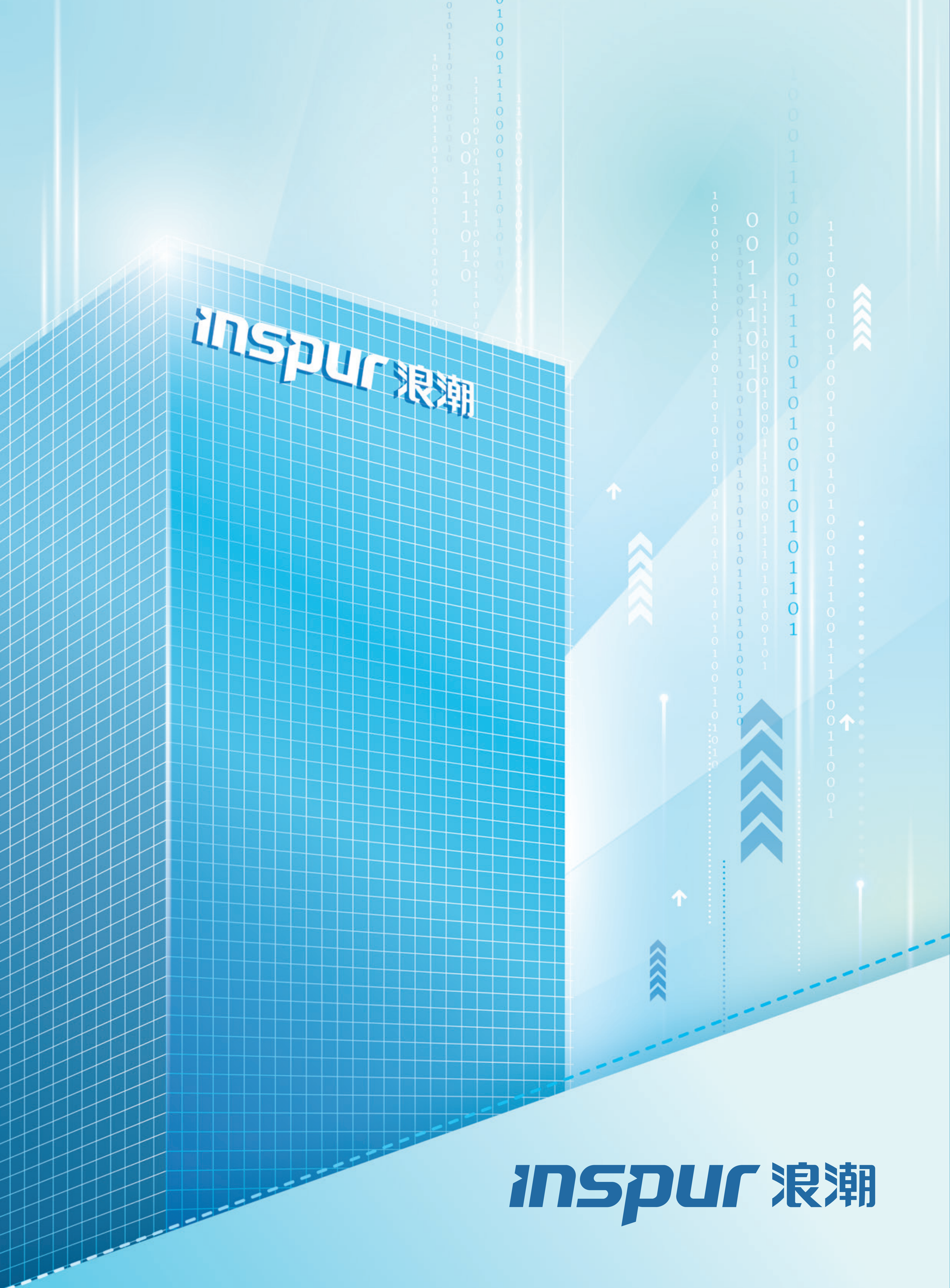
Movement in the Company's capital and reserves

	Share capital RMB'000	Reserves RMB'000	Total RMB'000
At 1 January 2021 (Restated)	10,771	1,261,344	1,272,115
Profit for the year and total comprehensive income (Restated)	—	(210)	(210)
Recognition of equity-settled share-based payment (Restated) (Note 33)	—	(163)	(163)
Exercise of share options (Restated) (Note 33)	25	5,106	5,131
At 31 December 2021(Restated)	10,796	1,266,077	1,276,873
Loss for the year and total comprehensive expense	—	(5,135)	(5,135)
Recognition of equity-settled share-based payment (Note 33)	—	114	114
At 31 December 2022	**10,796**	**1,261,056**	**1,271,852**

FINANCIAL SUMMARY

	For the year ended 31 December				
	2018 RMB'000 (Restated)	2019 RMB'000 (Restated)	2020 RMB'000 (Restated)	2021 RMB'000 (Restated)	**2022** **RMB'000**
RESULTS					
Continuing operations					
Revenue	2,062,052	2,555,158	2,275,168	3,250,401	**6,966,590**
Profit (loss) before tax	306,545	170,040	(132,597)	49,943	**148,640**
Income tax expenses	(15,763)	(1,705)	(15,569)	2,571	**(23,831)**
Profit (loss) for the year from continuing operations	290,782	168,335	(148,166)	52,514	**124,809**
Profit (loss) for the year	290,782	168,335	(148,166)	52,514	**124,809**
Profit (loss) for the year attributable to:					
Owners of the Company	273,546	179,056	(139,748)	53,761	**118,690**
Non-controlling interests	17,236	(10,721)	(8,418)	(1,247)	**6,119**
	290,782	168,335	(148,166)	52,514	**124,809**

	At 31 December				
	2018 RMB'000 (Restated)	2019 RMB'000 (Restated)	2020 RMB'000 (Restated)	2021 RMB'000 (Restated)	**2022** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	3,233,147	3,630,759	3,503,874	3,895,514	**4,818,029**
Total liabilities	(1,430,183)	(1,771,339)	(1,809,832)	(2,138,816)	**(2,940,062)**
	1,802,964	1,859,420	1,694,042	1,756,698	**1,877,967**
TOTAL EQUITY					
Equity attributable to owners of the Company	1,803,706	1,812,692	1,655,001	1,719,157	**1,837,635**
Non-controlling interests	(742)	46,728	39,041	37,541	**40,332**
	1,802,964	1,859,420	1,694,042	1,756,698	**1,877,967**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