浪潮

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

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

# 年度報告 2024 Annual Report

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

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

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

## NON-EXECUTIVE DIRECTOR

Ms. Li Chunxiang

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## COMPANY SECRETARY

Ms. Chan Wing
Mr. Zou Bo

## AUDITORS

SHINEWING (HK) CPA Limited

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
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

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

## REGISTERED OFFICE

Cricket Square
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P.O. Box 2681
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Cayman Islands

## 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 Enterprise Technology Limited (the "Company"), I present the report on the results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2024.

## FINANCIAL SUMMARY

During the reporting period, the Group recorded a revenue of RMB8,200,805,000 (2023: RMB8,294,446,000), representing a decrease of 1.1% as compared with last year. Revenue from cloud services amounted to RMB2,761,458,000 (2023: RMB2,000,073,000), representing an increase of 38.1% as compared with the corresponding period of last year. During the year, revenue from cloud services accounted for 51.9% of the Group's revenue from software and cloud services, which has become a new growth driver for the Group's revenue. Revenue from management software for the year was RMB2,556,116,000 (2023: RMB2,465,326,000), representing an increase of 3.7% as compared with the corresponding period of last year. Revenue from Internet of Things (IoT) solutions was RMB2,883,231,000 (2023: RMB3,829,047,000), representing an decrease of 24.7% as compared with the corresponding period of last year.

Basic earnings per share were RMB33.69 cents (2023: earnings of RMB17.66 cents) and diluted earnings per share were RMB33.68 cents (2023: earnings of RMB17.65 cents).

## BUSINESS REVIEW AND OUTLOOK

During the reporting period, the Group formulated the "AI First" strategy, fully embraced artificial intelligence large language model technology, attached great importance to AI talents, and fostered an AI culture. We increased our R&D investment in Inspur Haiyue large model, reconstructed all software products using AI technology, and implemented high-value intelligent application scenarios. Guided by the development concepts of specialization, digital intelligence, ecological development, and globalization, we continuously create value for our customers and empower their sustainable development.

During the reporting period, the Group adhered to innovation-driven development, seized the strategic opportunities brought about by technological revolutions, industrial transformations, and the restructuring of the enterprise software ecosystem. Supported by the intelligent ERP and PaaS platform product systems, we have facilitated the digital transformation of enterprises' full business operations from the aspects of digitalized operation and management as well as digitalized production and operation. We are committed to becoming a world-class provider of enterprise software and cloud services. Currently, we have provided digital transformation services to 79 central state-owned enterprises, 190 of China's top 500 enterprises, and more than 1.2 million enterprises.

Inspur Haiyue large model has formed an integrated enterprise-level large model application solution covering the large model foundation, vertical domain large models, and intelligent agent applications. New functions such as intelligent agent management, knowledge base management, knowledge-enhanced retrieval, and intelligent dialogue platform have been developed. Multiple new technologies, such as efficient integration of vertical domain knowledge and optimization of semantic intelligent agent decision-making capabilities, have been broken through. It provides composite intelligent services that integrate large and small models, significantly enhancing the basic model capabilities of Haiyue large model in enterprise-level scenarios, such as content understanding, generation, logic, and memory. It has passed both the "National Algorithm for Deep Synthesis Service" and the "Launch of Generative Artificial Intelligence Service" filings, and it is the first large model in the vertical field of enterprise services in the country to pass both filings. It has implemented more than 40 intelligent scenarios in products and industries, and has been implemented in projects such as SINOMACH (國機集團), China Railway Construction Bridge Engineering Bureau (中鐵建大橋局), and Shandong Development (山東發展).

# CHAIRMAN'S STATEMENT

During the reporting period, we deepened digital management and consolidated our advantages in the high-end market. Inspur Haiyue large model, combined with Haiyue intelligent ERP system GS Cloud for large enterprise groups, has created a series of scenario applications that empower the improvement of intelligence in the field of enterprise operation and management. We have cultivated more than 60 sample customers, including COFCO Corporation (中糧集團), Changan Automobile (長安汽車), MCC Tiangong (中冶天工), and Shanxi State-owned Capital Operation (山西國運), to assist enterprises in the intelligent transformation of operation and management. We have newly broken through and acquired a number of large enterprise group customers such as China COSCO Shipping Corporation (中遠海運), China National Gold Group (中國黃金), and Dongfang Electronics (東方電子). We have also created a number of benchmark customers, including Shandong Zhongxin Food (中新食品), Shougang Mining Corporation (首鋼礦業), Jiangsu Nhwa Pharmaceutical (恩華藥業), Tong Ren Tang Chinese Medicine (同仁堂), and Freda Pharmaceutical (福瑞達).

During the reporting period, the Company has been widely recognized by the industry, and its influence has continued to expand. It firmly ranks among the leading players in the Chinese PaaS market, and its development capability ranks first in the aPaaS market (CCID). Inspur Haiyue ranks first in the Chinese digital business platform market (for central state-owned enterprises and China's top 500 enterprises) (IDC). It has assisted 43 benchmark customers in winning 62 honors such as the IDC China Future Enterprise Awards, helping customers with in-depth business operations. It has risen to the top two in the Chinese BI software market (CCID).

In 2025, the Company will continue to increase its R&D investment and promote scientific and technological innovation, aiming to build Inspur Haiyue software into a world-class enterprise software. Adhering to the customer-centric approach, the Company will explore new development spaces through market innovation. Focusing on the two tracks of digitalized operation and management and digitalized production and operation, it will further consolidate and expand its advantages in the market of central state-owned enterprises. It will strengthen the exploration of the small and medium-sized enterprise market and make a good start in overseas business. The Company will also enhance enterprise management, comprehensively improve the quality and efficiency of development, and strive to create a new situation for the development of a world-class software enterprise.

## APPRECIATION

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

**Zhao Zhen**
*Chairman*

Jinan, 31 March 2025

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the year ended 31 December 2024, the Group's revenue was mainly derived from its business in mainland China. During the reporting period, the Group's revenue decreased by 1.1% and gross profit increased by 15.2% as compared with the corresponding period of last year.

### (1) Revenue

During the reporting period, the Group recorded a revenue of RMB8,200,805,000 (2023: RMB8,294,446,000), representing a decrease of 1.1% as compared with last year. Revenue from cloud services amounted to RMB2,761,458,000 (2023: RMB2,000,073,000), representing an increase of 38.1% as compared with the corresponding period of last year. During the year, revenue from cloud services accounted for 51.9% of the Group's revenue from software and cloud services, which has become a new growth driver for the Group's revenue. Revenue from management software for the year was RMB2,556,116,000 (2023: RMB2,465,326,000), representing an increase of 3.7% as compared with the corresponding period of last year. Revenue from Internet of Things (IoT) solutions was RMB2,883,231,000 (2023: RMB3,829,047,000), representing an decrease of 24.7% as compared with the corresponding period of last year.

### (2) Gross profit

In this report, gross profit from operating activities amounted to RMB2,208,419,000 (2023: RMB1,917,802,000), representing an increase of 15.2% as compared with the corresponding period of last year. The overall gross profit margin was 26.9% (2023: 23.1%), representing an increase of 3.8 percentage points as compared with the corresponding period of last year. The increase in gross profit margin was attributable to the significant increase in revenue from cloud services, which had a relatively high gross profit margin.

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

During the reporting period, administrative expenses amounted to RMB375,188,000 (2023: RMB367,543,000), representing an increase of 2.1%, which was mainly due to the increase in the company's cloud service business support expenditure..

During the reporting period, research and development expenses amounted to RMB864,719,000 (2023: RMB859,197,000), representing an increase of 0.6% as compared with the corresponding period of last year, mainly due to the Company's continued promotion of the transformation of its business to the cloud.

During the reporting period, selling and distribution costs amounted to RMB496,596,000 (2023: RMB538,294,000), representing an decrease of 7.7% as compared with the corresponding period of last year, mainly due to the Company's strengthened management and control of sales expenses.

### (4) Other income, other gains and losses

During the reporting period, other income amounted to RMB190,143,000 (2023: RMB222,098,000), representing an decrease of 14.4% as compared with the corresponding period of last year. Mainly due to the VAT refund of RMB 57,136,000 (2023: RMB 100,354,000), a decrease of 43.1%.

During the reporting period, other gains and losses amounted to a loss of RMB850,000 (2023: loss of RMB3,024,000).

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

During the reporting period, investment income from associates amounted to RMB11,442,000 (2023: RMB7,677,000), representing an increase of 49.0% as compared with the corresponding period of last year. During the reporting period, investment income from joint ventures amounted to RMB306,000 (2023: RMB895,000), representing a decrease of 65.8% as compared with the corresponding period of last year.

### (6) Profit before tax

During the reporting period, the Company recorded a profit before tax of RMB480,391,000 (2023: RMB278,664,000), representing a significant increase as compared with the corresponding period of last year, mainly due to the following factors: (1) The revenue of the company's cloud service business maintained rapid growth, and it achieved profit during the reporting period. The operating profit of the cloud service business segment was RMB 132,519,000 (2023: loss of RMB 56,201,000), an increase of 335.8% over the same period of last year; (2) Despite the fierce market competition, the operating profit of the management software division increased to people during the period.RMB 430,948,000 (2023: RMB 377,781,000), representing an increase of 14.1% over the same period of last year. (3) The operating profit of the Internet of Things and Solutions revenue segment increased to RMB95,957,000 (2023: RMB55,023,000), representing an increase of 74.4% over the same period of last year.

### (7) Profit attributable to owners of the Company

During the reporting period, profit attributable to owners of the Company amounted to RMB384,705,000 (2023: RMB201,630,000), representing a substantial increase in profit attributable to owners of the Company as compared with last year, which was mainly due to the substantial increase in operating profit of the management software business segment as compared with the corresponding period of last year.

Basic earnings per share were RMB33.69 cents (2023: RMB17.66 cents) and diluted earnings per share were RMB33.68 cents (2023: RMB17.65 cents).

### (8) Financial resources and liquidity

As at 31 December 2024, equity attributable to owners of the Company was RMB2,512,231,000 (31 December 2023: RMB2,047,564,000). Current assets amounted to RMB6,349,181,000, mainly including trade and bills receivables of RMB3,141,322,000, and bank deposits and cash balances of RMB908,405,000, which were mainly RMB deposits. Current liabilities amounted to RMB5,283,199,000, comprising mainly trade and bills payables, other payables and accrued expenses. The Group's current assets were approximately 1.20 times (31 December 2023: 1.17 times) of current liabilities.

### (9) Gearing Ratio

The gearing ratio, being the Group's total debts divided by its total equity, was 2.1 as at 31 December 2024 (31 December 2023: 2.0).

## FOREIGN EXCHANGE EXPOSURE

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

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

## CAPTIAL STRUCTURE

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

## EMPLOYEE INFORMATION

As at 31 December 2024, the Group had 8,034 employees. During the reporting period, the total remuneration of employees (including directors' emoluments and mandatory provident fund contributions) under the operating activities amounted to approximately RMB2,329,534,000.

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 Company's and individual employee's 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 2024, the Group's bank deposits of approximately RMB99,291,000 (31 December 2023: approximately RMB31,654,000) were pledged.

## BUSINESS REVIEW

During the reporting period, the Group formulated the "AI First" strategy, fully embraced the technology of large artificial intelligence models, attached great importance to AI talents, and shaped an AI culture. We increased the R&D investment in the Inspur Haiyue large model, reconstructed all software products with AI technology, implemented high-value intelligent application scenarios, and adhered to the development concepts of specialization, digital intelligence, ecological integration, and globalization to continuously create value for customers and empower their sustainable development.

During the reporting period, the Group adhered to innovation-driven development, firmly grasped the strategic opportunities presented by technological revolutions, industrial transformations, and the restructuring of the enterprise software ecosystem. Supported by products such as intelligent ERP, PaaS platforms, and MOM, we assisted enterprises in achieving digital transformation of their entire business operations from the aspects of digitalized operation management and digitalized production and operation. We are committed to becoming a world-class provider of enterprise software and cloud services.

During the reporting period, we increased the intensity of scientific and technological innovation. The Group was approved for 15 national key research and development projects and provincial and ministerial-level cases, as well as 2 provincial-level platforms such as the Shandong Key Laboratory of Automatic Construction Technology for Complex Network Software and 1 municipal-level platform. We completed the acceptance of 6 national key research and development projects. The "Two-Stage Automatic Software Construction Technology Supporting Instant Construction and Dynamic Evolution" that we have broken through won the Second Prize of Scientific and Technological Progress of the "CCF Scientific and Technological Achievements Award" of the China Computer Federation for the first time. The "Inspur Haiyue Enterprise Service Large Model Platform V1.0" we developed won the First Prize of the Shandong Province Artificial Intelligence Science and Technology Progress Award. The "New Model of the Ecological Chain for the Value Realization of Data" we created was selected as a demonstration case for the development of the big data industry by the Ministry of Industry and Information Technology. The national standards we led in formulating, such as "Data Service Requirements for Networked Collaborative Manufacturing Platforms", have enhanced the company's influence in the industry. The Group obtained the Outstanding Level Certification of the Information System Construction and Service Capability, which is among the first batch in the country. We were rated as a National Quality Benchmark and a Typical Case of Quality Improvement and Brand Building in the Industry and Information Technology field.

During the reporting period, we continued to deepen the market of central state-owned enterprises, and made new breakthroughs in central enterprises such as China Southern Airlines Group, COFCO, China Chengtong and Harbin Power Group, and continued to serve central state-owned enterprises such as China Nengjian, Chinalco Group, China Tower, China Building Materials Group, China Datang, SINOMACH, China Rare Earth, Sinopharm Group, National Pipeline Network and China Southern Airlines. Currently, we have assisted 79 central state-owned enterprises, 190 of China's top 500 enterprises, and more than 1.2 million enterprises in achieving digital transformation of their entire business operations.

## I. Cloud Service Business

The Group provides comprehensive cloud services to enterprises of different scales, strengthens and expands the construction of the ecosystem, empowers Inspur partners and customers, and enhances the core competitiveness in the digital economy era. During the reporting period, the revenue from the cloud service business achieved rapid growth.

### *(1) The Market of Large Enterprises*

We released the Haiyue Large Model Platform 2.0, as well as new platform tools such as the intelligent agent platform and knowledge governance platform, forming an integrated large model solution that covers the large model foundation, vertical domain large models, and intelligent agent applications.The Haiyue Large Model is positioned as a large model for the vertical field of enterprise services. Based on more than 30 years of experience in serving large group enterprises and a trillion-level dataset from over 1.2 million enterprise customers, it integrates the enterprise domain knowledge base and best practices. It continuously makes breakthroughs in large model technology and deepens application scenarios, and is deeply integrated with Inspur Haiyue software. This has brought significant economic and social benefits to enterprises in various types of scenarios, including general applications and enterprise operation and management.

The Group has won the "Top Ten Innovative Technologies in the Digital Economy (數字經濟十大創新技術)", the innovative product of the new - generation information technology, the breakthrough technical achievement in the software industry, and the excellent achievement award of the special exhibition of the 2024 World Computing Conference. It has also been included in the list of innovative cases for intelligent enterprise construction in 2024 (the 6th session).

# MANAGEMENT DISCUSSION AND ANALYSIS

Relying on the Inspur Haiyue Large Model Platform, we have integrated large models such as DeepSeek to embed AI capabilities such as rules, algorithms, machine learning models, and AIGC into business systems. This supports comprehensive intelligent scenarios including conversational interaction, process automation, analysis and prediction, planning and optimization, and content generation. Based on the actual application scenarios and needs of customers, we have developed embedded AI + ERP intelligent applications such as digital employees, intelligent auditing, enterprise performance evaluation, tax risk reporting, intelligent contract comparison, and operational risk warning. These related scenarios have been applied in customers such as MCC TianGong and Shanxi Guoyun, helping enterprises build a more intelligent, efficient, and stable operation system and achieve digital - intelligent transformation and upgrading.

The Group has released the Inspur Haiyue PaaS Platform 7.0. With the Inspur Haiyue Large Model as the intelligent hub, it drives the intelligent transformation and upgrading of seven sub - platforms, namely the low - code platform, the Internet of Things platform, the data center, the hybrid integration platform, the cloud - native platform, the digital collaboration platform and so on. It has four characteristics: comprehensive intelligence, data - driven, panoramic connection, and open - source and open - access. It creates an AI - driven one - stop decouplable digital innovation base. This comprehensively enhances the intelligent operation and intelligent automation capabilities of enterprises, helping to build digital - intelligent enterprises with digital productivity. The Inspur Haiyue PaaS Platform has won the Second - Class Award of the Science and Technology Progress Award of the China Computer Federation (CCF), the Practice Award of the "Management Science Award" of the Ninth China Management Science Society, the innovative product of the new - generation information technology, and has been rated as the advanced unit for the standardization application of the Software and System Engineering Sub - Committee of the National Information Technology Standardization Technical Committee. It has also been selected as a contributing unit to the "Application Observability Platform Series Standards" of the Zhujji Project. It has newly broken through many large - scale group enterprise customers such as China Gold (中國黃金) and Dongfang Electronics (東方電子). It firmly ranks among the leader camp in the Chinese PaaS market, ranks first in the development ability of the aPaaS market (CCID), ranks first in the market of digital business platforms (central enterprises and the top 500 Chinese enterprises) (IDC), and ranks among the top two in the Chinese BI software market (CCID).

The Group released the Inspur Haiyue Intelligent ERP GS Cloud 7.0 for large enterprises, focusing on three major goals: collaboration, intelligence, and high quality. It deepens the coverage of scenarios of domestic high-end ERP, realizes business-driven integrated upgrading, model-driven intelligent upgrading, and value-driven digital upgrading, shapes a stable business core, and creates a first-class product experience. During the reporting period, a number of benchmark customers such as Shandong Zhongxin Food (中新食品), Shougang Mining Industry (首鋼礦業), Enva Pharmaceutical (恩華藥業), Tongrentang (同仁堂), and Freda (福瑞達) were established. It firmly ranks first in the market share of China's group management software market (CCID), is in the leader quadrant of China's central and state-owned enterprises cloud application market, and ranks first in development ability (CCID).

During the reporting period, Inspur Haiyue HCM released multiple AI intelligent agents. It newly made breakthroughs in serving four central state-owned enterprises, namely China Minmetals (中國礦冶), China Travelsky Technology Limited (中國航信), China National Minerals Corporation (中國礦產), and China Post Group Corporation (中國郵政). It assisted customers such as Guangdong Railway Investment Group (廣東鐵投集團), Shandong Energy Group (山東能源集團) in successfully being included in the list of "Excellent Digitalization Cases of Enterprise Human Resource Management in 2024". Currently, Inspur Haiyue HCM has been successfully applied in multiple industries such as construction, manufacturing, energy, transportation, finance, retail, and pharmaceuticals. It has ranked first in the market share of the human resources cloud market for large enterprises for three consecutive years (CCID).

During the reporting period, Inspur Haiyue Smart State - owned Assets Model was released, providing comprehensive support for intelligent supervision from both business and technical aspects. At the business level, it adheres to the core of state - owned assets supervision and, through technologies such as machine learning and data mining, improves the levels of enterprise health assessment, risk - prevention and debt - resolution, investment forecasting, and compliance risk prevention and control, ensuring the timeliness, accuracy, and effectiveness of supervision. At the technical level, it utilizes advanced technologies such as natural language dialogue, graphic - text recognition and generation, and focuses on scenarios such as intelligent Q&A, intelligent documents, intelligent analysis, and intelligent applications to enhance the user experience, making the system more intelligent and user - friendly. It helps to make state - owned assets supervision intelligent, leads the in - depth application of intelligent technologies, and promotes the high - quality development of state - owned assets and enterprises. Inspur Haiyue Smart State - owned Assets Model has been put into practice in the Chongqing State - owned Assets Supervision and Administration Commission. It has newly broken through the state - owned assets supervision and administration commissions of Hubei, Liaoning, Guizhou and other provinces, and has served 22 provincial - level state - owned assets supervision and administration commissions in total.

### *(2) The Market of Small and Medium-sized Enterprises*

During the reporting period, the Group released the Inspur Haiyue Intelligent ERP inSuite V5.0 for small and medium-sized enterprises. The new version was developed based on the open-source cloud-native technology foundation. It has broken through 4 key technologies and completed the development of 32 modules and 818 functions. It supports new features such as hierarchical management and control of accounting subjects, standard cost accounting, forecast reversal, quality traceability, and VMI procurement. It has also achieved seamless product-level integration with Inspur Haiyue GS Cloud, forming a combined sales model for the promotion among the subordinate units of large group customers, which is of great significance for comprehensively enhancing the competitiveness in the small and medium-sized enterprise market. It has been selected as a service provider for more than a dozen pilot cities for the digital transformation of small and medium-sized enterprises in the second batch, including Loudi, Changji, Yichang, and Shaoxing. Integrated with products such as GSP, CRM, and MES, it has made good progress in the markets where small and medium-sized enterprises are widely distributed in various industries, such as the high-tech industry (Zhejiang Ruizhaoxin, etc.), the life science industry (Rongchang Lida, Qunjing Pharmaceutical, Mingji Pharmaceutical, Jianqi Medical, etc.), the high-end manufacturing industry (Guoxuan New Energy, Yuxiang Machinery, etc.), and the food processing industry (Dameng Food, Weihai Weidao, Zhongshengyuan, etc.).

During the reporting period, for small and micro enterprises, Inspur Easy Cloud continuously upgraded its core financial and tax products such as cloud accounting and cloud purchase, sales and inventory management. It launched the functions of ticket collection without a disk and online invoice issuing, comprehensively improving the efficiency of ticket and tax processing and the user experience. The Inspur Haiyue Intelligent Expense Control V1.0 product was released, realizing the full-process management of budget, control, reimbursement, and finance, and helping small and micro enterprises achieve efficient collaboration. By deeply cultivating the financial industry, it accelerated the expansion of the SaaS market for small and micro enterprises, and added strategic customers in the financial industry such as China Citic Bank (中信銀行) and the Postal Savings Bank of China (郵儲銀行). It strengthened the ecosystem, deepened cooperation with Internet ecosystem partners such as Kingsoft WPS, Weaver (泛微), Fasida (法大大), and Yifang Video(易方視頻), and improved the user experience. It was recognized as a "National Science and Technology-based Small and Medium-sized Enterprise" by the Ministry of Science and Technology and the Ministry of Finance.

## II. Management Software Business

During the reporting period, the Group made full use of the intelligent advantages of the Inspur Haiyue Large Model, and in combination with Inspur Haiyue GS Cloud, developed a series of scenario applications that empower enterprises to improve the intelligent level in the field of operation and management. More than 60 demonstration cases, such as the intelligent financial assistant of COFCO Group, were established. Focusing on the construction of intelligent applications in scenarios such as daily collaborative office work of enterprises, including office collaboration, financial management, software development and testing, and system operation and maintenance, as well as software development, operation and maintenance, more than 40 demonstration cases, such as the intelligent contract review assistant for Granblue Environment Co., Ltd., were created. These efforts have helped enterprises in their intelligent transformation of operation and management and further consolidated the Group's advantage in the high-end market of the management software business.

In the field of financial sharing, significant improvements have been made in intelligent scenarios, sharing models, operation management, and business - finance collaboration. An intelligent audit platform has been released, which explores the deep - level correlation of data to improve the audit efficiency and risk - prevention ability, and has been rated as "internationally advanced". A virtual sharing model has been provided, and continuous optimizations have been made in aspects such as employee credit management, quality control, and sharing services, enabling the enhancement of the service capacity of the sharing center and strengthening the overall operation level. During the reporting period, financial sharing cases with COFCO Group (中糧集團), China Agricultural Development Group (中國農發), China Tower (中國鐵塔), Shandong State - owned Assets Investment Holdings Co., Ltd. (山東國投), etc. have been signed.

In the field of treasury management, Inspur Haiyue Smart Treasury 7.0 has been upgraded in response to market trends. It has been newly upgraded in terms of risk control, intelligent scenario applications, overseas fund management, factory model, and bank - enterprise direct connection. It supports overseas business scenarios such as foreign exchange forward transactions, cross - border fund transfers of enterprises, and fund transfers between different levels, and accesses the Cross - border Interbank Payment System (CIPS), enhancing the enterprise's global fund allocation and management capabilities, helping enterprises operate globally, improving their international competitiveness, and assisting enterprises in building a first - class treasury management system to achieve efficient, intelligent, and globalized fund operation and management. During the reporting period, it has signed treasury projects with China Railway Signal & Communication Corporation (中國通號), Jiangsu Transportation Holdings Co., Ltd. (江蘇交控), Shandong State - owned Assets Investment Holdings Co., Ltd. (山東國投), Shanghai Pudong Development Bank (浦發銀行), Xuzhou Construction Machinery Group Co., Ltd. (徐工集團), Sichuan Energy Investment Group Co., Ltd. (四川能投), Shandong High - speed Group Co., Ltd., etc. (山東高速), and has won the "Sinan Award (司南獎)", the benchmark enterprise award for treasury construction in China.

With the support of the large - model technology, Inspur Haiyue Smart Supply Chain focuses on building product capabilities in multiple industries such as pharmaceuticals, chemicals, fast - moving consumer goods, building materials, equipment manufacturing, and energy. It achieves the efficient transmission of information both inside and outside the enterprise, the effective sharing of data, the seamless connection between business and finance, and the secure operation of the capital flow. Through the involvement of the large model, it assists in optimizing strategies in aspects such as supply - demand perception and forecasting, purchase price forecasting, sales price forecasting, and dynamic safety inventory, thereby improving the management level. In terms of intelligent reporting, it helps enterprises generate supply - chain analysis reports on demand at any time, providing support for enterprise decision - making. During the reporting period, it signed supply - chain cases with Tianshan Cement (天山水泥), Hubei Port (湖北港口), Shandong Zhongxin Food (中新食品), Shougang Mining (首鋼礦業), etc. Its supply - chain management product was rated as the top domestic manufacturer in the SCM software market (CCID).

During the reporting period, Inspur Communications Information was committed to becoming a leading provider of integrated computing and network operation services. Focusing on key technologies such as self-intelligent networks, computing power networks, and data centers, it released 8 TM Forum standards, 1 national standard, 6 industry standards, 2 group standards, and 6 industry white papers.

During the reporting period, the Full Business Quality Control Platform 3.0 was released, providing operators with capabilities such as data rule management, application management, data quality management, capability management, automatic reporting, and work order management. The 3.0 version of the Full Business Asset Operation Support Platform was released and successfully completed the trial operation. It has achieved functions including 5GC topology, government and enterprise topology verification, wireless end-to-end management, integrated resource and asset management, and resource visualization and sharing capabilities, thus creating a systematic capability for intelligent cloud network operation. Edge cloud application network service management has been realized. Among them, the Tianji Computing AI Training Platform has been evaluated for its scientific and technological achievements and has been recognized as reaching the international advanced level. The Intelligent Operation and Maintenance Platform version 3.5 has been completed, which has the ability of "cloud network" autonomous driving, enabling autonomous operation and maintenance of cloud network services. The construction of the four major business modules has been completed, accumulating core innovation capabilities.

Inspur Communications Information has won the Diamond Medal, the highest honor in the field of TM Forum Open API. It is one of the only three Chinese manufacturers that have entered the TM Forum Open API certification ranking list globally. Under the guidance of the Ministry of Industry and Information Technology, at the final of the Transportation Special Competition of the Second "Huacai Cup" Computing Power Innovation Application Competition hosted by China Academy of Information and Communications Technology and other units, the case "Innovative Application of 'Computing Power Network + Large Model' in High-speed Emergency Scenarios" participated by Inspur Communications Information won the first prize in the final of the Transportation Special Competition.

## III. Internet of Things (IoT) Solution Business

During the reporting period, combining with the actual application scenarios of customers' businesses, the Inspur Haiyue Large Model has been implemented in key industries such as grain storage, energy, power transmission and transformation manufacturing, automobile manufacturing, large-scale equipment manufacturing, chemical manufacturing, and electricity. It provides customers with intelligent solutions and practical applications of large model industrialization in industrial application links such as research and development design, production and manufacturing, operation management, and product services. More than 30 sample customers, such as the intelligent grain depot supervision platform of China Grain Reserves Group, have been created.

During the reporting period, the Inspur Haiyue Large Model has helped the intelligent grain depot achieve dynamic and intelligent supervision in various application scenarios such as grain situation supervision, safety production supervision in the depot area, operation violation monitoring, and real - time video monitoring and early warning. In terms of the intelligent scheduling of people, vehicles, and goods in grain storage and transportation, it has realized the verification of personnel identity, location detection, vehicle face recognition, vehicle tracking, and the compliance detection of storage operations. In terms of the intelligent management of grain storage, it can identify the empty and full - of - grain states of grain warehouses, conduct real - time monitoring of fire hazards such as smoke and sparks, and monitor abnormal events such as sunken grain surfaces, grain surface movements, and the opening and closing of warehouse doors or windows during non - operation periods, and carry out real - time tracking, early warning, record reporting, and statistical analysis. The Inspur Haiyue Intelligent Warehousing Logistics Park Software and the Grain Storage Intelligent Supervision Software V6.5 have been released. They have respectively obtained the recognition of the international advanced level and the honor of "China's Excellent Software Product of 2024", further enhancing the product competitiveness. Key cases such as the Guangdong Grain Reserve and the Operation Management System of Chongqing Grain Reserve have been successfully signed. Inspur Haiyue Intelligent Grain has deeply cultivated the digitization of the grain industry and continuously empowered the "granary of a large country (大國糧倉)".

During the reporting period, Inspur Communications Information promoted the implementation of many benchmark cases for operator customers. The computing power project of the Qingdao Data Center of Shandong Mobile in 2024 was started and delivered in the same year. It is the first batch of liquid - cooled (cold - plate type) pilot projects of China Mobile and has won the "High - Quality Data Center Project" award of China Mobile, which is of great significance for the construction and promotion of the intelligent computing center in the operator industry. The Green Intelligent Park project of the China Mobile Information Port Data Center officially started in 2024. This project is the largest - scale liquid - cooled pre - fabricated module pilot case of China Mobile and is of great significance for expanding the liquid - cooled transformation of data centers and promoting the pre - fabricated modules. The IDC infrastructure and cloud platform construction project of the main data center of the Guangdong Provincial Communications Group marks the beginning of the digital transformation and upgrading of transportation infrastructure and has set a project benchmark for the computing power center in the transportation industry. The Neutra DC data center project in Indonesia is specifically used to support the artificial intelligence infrastructure. This case has achieved a breakthrough for Communication Information in the Indonesian data center market and has benchmark - demonstration significance.

During the reporting period, Inspur Communications Information signed strategic cooperation agreements with Saudi Arabia's LATIS Company, Malaysia's Pi DC Company, Infinaxis Company, and Singapore's A3 Capital, etc., to explore the overseas telecommunications market and promote the development of the overseas data center market.

## FUTURE PROSPECTS

In 2025, the Group will adhere to its "AI First" strategy, accelerating the empowerment of AI across all industries, business operations, and processes. By delivering first-class products, services, and full-stack solutions, we will empower enterprises to achieve high-quality development, further consolidate and expand our market leadership in serving central and state-owned enterprises, ensure a successful launch of overseas operations, enhance organizational support capabilities, safeguard the company's sustainable growth, and strive to pioneer a new chapter in becoming a world-class software enterprise.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## DIRECTORS

**Mr. Zhao Zhen**, aged 50, is the chairman of the Board, and holds a Bachelor's degree in economics from Shandong University* (山東大學) and a Master of Business Administration from Tianjin University* (天津大學). Mr. Zhao has more than 26 years of extensive experience in human resources management. Mr. Zhao is currently the senior vice president* (高級副總裁) and director of Inspur Software Technology Company Limited* (浪潮軟件科技有限公司). In 2020, Mr. Zhao was awarded "Outstanding Enterprise Award for Enterprise Human Resources Development and Management"* (企業人力資源開發與管理優秀企業獎) by Human Resources Development of China (中國人力資源研究會). Mr. Zhao has been serving as the Chairman of the Board of Directors of our company since February 1, 2024.

**Mr. Wang Xingshan**, aged 60, graduated in Xi'an Jiaotong University, 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. Mr. Wang resigned as the Chairman of the Board of the Company with effect from 1 February 2024.

**Mr. Cui Hongzhi,** aged 50, 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) of Inspur Communication Information System Co., Ltd* (浪潮通信信息系統有限公司).

**Mr. Wang Yusen,** aged 41, is a senior accountant and Executive Director, CFO. He graduated from Shandong University in 2006 and has obtained a master's degree in business administration. 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 holding positions as a director in several member companies of  the Group.

**Ms. Li Chunxiang**, aged 48, is a non-executive 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 Co., Ltd.* (浪潮集團有限公司). 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).

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

**Mr. Wong Lit Chor, Alexis**, aged 66, 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 63, 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 63, an independent non-executive Director, 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 53, 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 and Deputy 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 in several member companies of the Group.

**Ms. Chan Wing**, aged 54, 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 46, 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 2024.

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 made every effort to comply with the principles set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules. In the opinion of the Board, the Company has complied with all the provisions of the Code throughout the year ended 31 December 2024.

## 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; and

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

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

## II. Composition of the Board

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

*Executive Directors*

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

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

*Non-executive Directors*

Ms. Li Chunxiang

*Independent non-executive Directors*

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

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

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

According to the Articles of Association, each Director (including non-executive Directors and independent non-executive Directors) 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 of the Company, namely Mr. Wang Yusen, Mr. Wong Lit Chor, Alexis 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 2024, the Company convened seven Board meetings and a General Meeting. The following table shows the details of Directors' attendance:

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

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

At the meetings of the Board held during the year ended 31 December 2024, 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 2023 annual report and the 2024 interim report, considering and approving the major matters such as subsidiary equity adjustments and renewal of continuing commented transactions and other major issues. 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. 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, material 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 2024:

| Directors | Corporate Governance, regulatory development other relevant topics | Monthly report |
|---|---|---|
| Mr. Wang Xingshan | ✓ | ✓ |
| Mr. Zhao Zhen | ✓ | ✓ |
| Mr. Wang Yusen | ✓ | ✓ |
| Mr. Cui Hongzhi | ✓ | ✓ |
| Mr. Wong Lit Chor, Alexis | ✓ | ✓ |
| Ms. Zhang Ruijun | ✓ | ✓ |
| Mr. Ding Xiangqian | ✓ | ✓ |
| 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 Zurich Insurance Company Ltd.

## 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 2024, the audit committee of the Company comprised three independent non-executive Directors, namely Mr. Wong Lit Chor, Alexis (chairman), Ms. Zhang Ruijun and Mr. Ding Xiangqian.

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

*Relationship with the Company's auditors*

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

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

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

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

*Review of the Company's financial information*

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

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(6) Regarding (5) above:-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the financial year ended 31 December 2024, the Audit Committee held three meetings, at which the Audit Committee:

(1) considered the Company's annual financial report and internal control report for the year 2023, and submitted them to the Board for approval;

(2) considered the Company's interim financial report of 2024, and submitted it to the Board for approval;

(3) considered the annual audit plan for 2024.

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

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

## REMUNERATION COMMITTEE

As at 31 December 2024, 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 2024, the Remuneration Committee held two meeting to discuss the appointment of new directors and the rotation of directors

Details of attendance at the Remuneration Committee meetings during year 2024 are set out below:

| Remuneration Committee Members | Attendance/ number of Meetings |
|---|---|
| Ms. Li Chun Xiang | 2/2 |
| Mr. Wong Lit Chor, Alexis (Chairman) | 2/2 |
| Ms. Zhang Ruijun | 2/2 |

## NOMINATION COMMITTEE

The Board has established a Nomination Committee. As at 31 December 2024, the committee consists of one Executive Director, Mr. Zhao Zhen (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; and

(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 2024 are set out below:

| Nomination Committee Members | Attendance/ number of Meetings |
|---|---|
| Mr. Wang Xingshan | 1/1 |
| Mr. Zhao Zhen (Chairman) | 2/2 |
| Mr. Wong Lit Chor, Alexis | 2/2 |
| Ms. Zhang Ruijun | 2/2 |

## CHAIRMAN AND PRESIDENT

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

## RESPONSIBILITIES OF DIRECTORS

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

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (collectively 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 2024.

## 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 2024.

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 | 2,100 |

## INVESTOR RELATIONS

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

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

## JOINT COMPANY SECRETARIES

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

## DIVIDEND POLICY

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

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

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

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

## COMMUNICATIONS WITH SHAREHOLDERS

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

## VOTING BY POLL

At the 2024 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 MONITORING

The Board of Directors believes that sound corporate governance is the cornerstone of the Company's long-term development, and a robust risk management and internal control system is an essential element of corporate governance. The Board of Directors 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 continued to engage external consultants to assist in optimizing the risk management system, so as to enhance the Company's corporate governance level.

## RISK MANAGEMENT FRAMEWORK

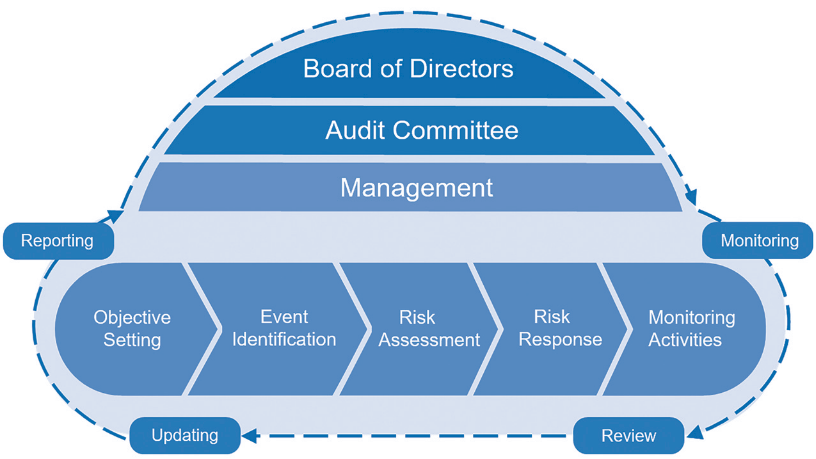
The risk management framework of the Company is based on the "Three Lines of Defense" model. The three lines of defense are daily operations and monitoring, continuous risk management activities, and independent supervision of internal control activities, with each function closely linked to the others. The main internal control procedures of each operating department have provided clear guidelines to each department through a series of policies and procedures, which have taken into account the relevant elements of governance, risk management and compliance. The Company regularly reviews and updates its policies and procedures, and provides relevant training to employees to ensure their effectiveness.

The important policies and procedures of the Company include the whistleblowing policy, the internal data information processing policy, related party transactions, as well as the operational policies and procedures of various departments and functions. These policies and procedures provide guidance for daily operations in accordance with the requirements within the Company's corporate governance framework.

## RISK MANAGEMENT SYSTEM

With reference to the globally recognized risk management frameworks, namely the Integrated Framework for Enterprise Risk Management of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and ISO 31000, the Company's risk management system encompasses activities such as objective setting, risk identification, risk assessment, risk response, and risk monitoring. Moreover, the processes of risk identification and risk assessment incorporate both "top-down" and "bottom-up" approaches, providing a comprehensive analysis that takes into account the perspectives at both the management and operational levels. In addition, this system is not a stand-alone one but is integrated with the current internal control system. The management of different functional and business departments regularly discusses and exchanges market information. They communicate about changes, such as the transformation of the operational environment due to pandemic prevention measures or emerging market risks, and make appropriate responses in a timely manner. The Company's risk management and internal control system is designed to manage and reduce the impact of the identified major risk items on the Group, rather than eliminate the impact of all risk items on the Group.

The main elements of the Company's risk management system are set out below:



The Company, through the risk register, risk assessment questionnaires and workshops, encourages each unit to identify risks in areas such as finance, operations, compliance, and the environment. It analyzes and evaluates the probability of occurrence of each risk item and its impact on the Company, and regularly discusses whether the existing countermeasures and monitoring activities for such risk items are sufficient and effective. During the year, in accordance with the requirements of Appendix 27 of the Listing Rules, the Company has carried out a special questionnaire assessment and review on the Company's risks in environmental, social and corporate governance aspects as well as its monitoring system. After the risk items identified by each department are analyzed and integrated by the consulting firm, the resulting important company risks, risk changes and their monitoring procedures are discussed and confirmed by the management and reported to the Audit Committee. The risks identified by the Company can be classified into 10 categories, which have been fully disclosed in detail on pages 3 to 10 of the Report.

The Company has clearly defined the responsibilities and functions of the Board of Directors, management, operating departments and internal audit. The Board of Directors has appointed the Audit Committee to continuously monitor the effectiveness of the Company's risk management and internal control system. The Audit Committee discusses the contents of the reports submitted by the management, discusses and approves the nature and extent of risks that the Company is willing to accept in order to achieve its strategic objectives, examines whether the existing monitoring and risk management systems are sufficient and effective, and studies whether further improvements are needed. The management ensures that there are sufficient resources to support the implementation of the decisions of the Board of Directors and the Audit Committee, and confirms to the Board of Directors the effectiveness of the risk management and internal control system. During the year, the above-mentioned risk management and internal control work has been properly completed, and the Board of Directors and the management have confirmed the effectiveness of the relevant systems in terms of design, implementation and monitoring.

## INTERNAL MONITORING

The internal audit department carries out an independent review and examination of the Company's monitoring and supervision procedures for major risks every year in accordance with the annual audit project plan approved by the Audit Committee, and regularly reports the results and improvement suggestions to the Audit Committee.

## REVIEW OF THE RISK MANAGEMENT AND INTERNAL MONITORING SYSTEM

The Board of Directors, through the Audit Committee, has received confirmation from the management regarding the effectiveness of the design, implementation and monitoring of the Company's risk management and internal control system. Just like other systems, the system adopted by the Company can only provide reasonable but not absolute assurance to prevent material misstatements or losses. The Company will continue to maintain a sound and effective risk management and internal control system to achieve the Company's long-term strategic objectives.

## SIGNIFICANT RISKS OF THE COMPANY AND THEIR CHANGES

During the year, the Company has identified and evaluated different risk items and assessed the effectiveness of the monitoring and supervision mechanisms for them in ten different categories. They are listed in detail in the table below:

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Finance, Economy and Politics | The changes in the economic, financial and political environments in the Chinese mainland and Hong Kong have an impact on the company's financial performance. | - Monitor online public sentiment, establish a media communication mechanism, assign dedicated personnel to conduct regular inspections of mainstream social media platforms. Respond promptly and improve issues in a timely manner, and establish a normalized mechanism, avoiding sensitive topics such as politics and pornography.<br>- Prepare cash flow forecasts based on the capital expenditure budget, and actively manage cash flows to pay off outstanding debts as scheduled.<br>- Review financial statements monthly and prepare documents in strict accordance with financial regulations.<br>- Regularly assess the effectiveness of operational strategies, objectives and plans, predict and understand market trends, and adapt to changes in the overall economic environment.<br>- Maintain a good relationship with banks, regularly review bank financing terms, and ensure that the group's financial status complies with relevant provisions.<br>- Explore for more suppliers from different regions, negotiate order prices for a specific period, and enable all departments to share the supplier database.<br>- Standardize the management of the bidding process and strengthen the management of major project processes.<br>- Strengthen the construction of the channel sales and management system, and utilize the diversity of sales channels to boost sales revenue. | Low | ↓<br>During the year, the Company has made great efforts to establish rules and regulations, enhance the level of risk monitoring, strengthen its ability to withstand risks, and reduce the impact of risks. As a result, the overall risk level has decreased. |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| | | - Enhance daily inspections and training.<br>- Identify the problem of malicious smearing, focus on prevention, establish a public relations issue handling mechanism, and continuously learn from the experiences of the same industry.<br>- Minimize foreign currency transactions. If necessary, hedge foreign exchange transaction currencies (e.g., borrowing/repaying foreign currency debts and buying/selling foreign currency assets to earn foreign currency returns).<br>- All sales account write-offs must first be approved and sufficient supporting documents must be submitted.<br>- Have a professional team responsible for operational work, collect market research and analysis, keep abreast of the market dynamics of competitors, and formulate operational plans.<br>- When preparing interim reports and annual financial statements, provide professional real estate appraisers with a summary of existing leases, potential leases, and capital expenditures to reduce the risk of undervaluation of real estate properties.<br>- The Securities Department closely monitors the market value of the investment portfolio and reports to the management regularly.<br>- Establish a crisis management mechanism at the corporate level.<br>- Develop an approval procedure for sales refunds. | | |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Employee | The Company regards employees as valuable assets. If it fails to effectively address employees' health and safety concerns or provide competitive compensation packages, it will be unable to retain key employees, which in turn will affect the quality of the products and services the Company offers. | - Establish the Company's employment policy to ensure compliance with relevant legal requirements.<br>- Improve the employee cultivation mechanism, including employee training, employee communication, team building, and career planning, etc.<br>- Develop a sound performance evaluation system, such as an equity incentive mechanism.<br>- Provide employees with generous benefits.<br>- Offer a clear career promotion path to assist employees in their career development.<br>- Pay attention to the physical and mental health of employees, and provide a health and safety management plan, such as regular disinfection of the workplace, regular physical examinations, paying attention to employees' overtime hours, providing appropriate rest days, and offering employee insurance, etc.<br>- Formulate an internal employee mobility policy to provide employees with more room for growth.<br>- Strengthen the personal safety protection and safety training and education for discipline inspection cadres. | Low | ← →<br><br>The Human Resources Department of the Company has strengthened compliance management and improved the training and assessment mechanisms. As a result, the overall risk level of employees has remained stable. |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Customers and Products | The Company is committed to providing customers with high-quality products and services to support their operational needs. If it fails to fully understand customers' needs or improperly handles customers' inquiries and complaints, it will directly affect the Company's revenue and long-term development. | - Strengthen the research on customer needs, confirm them in written form after evaluating the customer needs, and clearly list the necessary items in the contract.<br>- Collaborate closely with the Project Management Department.<br>- Strictly formulate the customer service system, including customer return visits, handling of customer complaints, customer satisfaction surveys, customer service specifications, etc.<br>- Develop a clear and efficient customer complaint handling process.<br>- Provide sufficient service training, such as one-to-one guidance for new employees upon entry, skill certification for service personnel, etc., to improve employees' professional capabilities.<br>- Strengthen the management of the knowledge base and enrich its content.<br>- Enhance the awareness of customer service, increase the allocation of customer service staff, evaluate the rationality of customer complaints, sort out and analyze customer feedback, and use it as a basis for product improvement and service optimization.<br>- Regularly hold customer complaint handling meetings to summarize the handling experience.<br>- Improve product quality and conduct thorough testing before product delivery.<br>- Establish and implement the backup system of A and B positions and the job rotation system. | Low | ← →<br><br>During the year, the Company has improved the customer complaint handling and evaluation mechanism, and the risk level has remained stable. |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Supplier Performance | The lack of supplier performance management and contact with problematic suppliers may lead to reputation and financial damage. Failure to meet the local laws and regulations requirements for overseas operations or non - compliance with newly implemented laws and regulations may also lead to reputation damage and financial losses for the Company. | - Perfect the goods receipt management. Designated employees shall be responsible for receiving goods, conducting strict inspections in accordance with the specifications of the purchase order and the contract, and signing on the goods receipt to certify that the quality and quantity are correct.<br>- Establish a supplier assessment mechanism. Strengthen the qualification certification review and annual evaluation of suppliers, and continuously and closely monitor the performance of suppliers. Identify single suppliers and carry out key identification and monitoring.<br>- Improve the Company's bidding mechanism, refine relevant bidding policies, and clearly stipulate in the bidding documents the requirements for products from suppliers and consultants.<br>- Make payments to suppliers in installments according to the implementation progress, and withhold the payment until the work is completed in good condition.<br>- Strengthen the training of suppliers' delivery capabilities.<br>- Establish a registration procedure for qualified suppliers/consultants. All suppliers are required to go through a prequalification process, including providing relevant licenses and certificates of quality levels.<br>- Continuously monitor the performance of suppliers/consultants. For suppliers whose performance fails to meet the standards, establish a warning mechanism, a blacklist mechanism, and maintain a supplier blacklist.<br>- Optimize the hierarchical management system for delivery partners, conduct scientific evaluations, and vigorously develop high-quality partners.<br>- All suppliers are required to provide work references for specific projects or products.<br>- Refine the project process management of delivery partners to improve the delivery efficiency and quality of outsourcing and external cooperation. | Low | ↓<br>During the year, the Company has vigorously promoted the establishment of rules and regulations, strengthened the level of risk monitoring, enhanced its ability to withstand risks, reduced the impact of risks, and the overall risk level has decreased. |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Laws and Regulations | Failure to meet the local laws and regulations requirements overseas or non - compliance with newly implemented laws and regulations may lead to damage to the Company's reputation and financial losses. | - Implement in accordance with company regulations, including the integrity system, product research and development management, bidding procedures, etc.<br>- Improve the authorization mechanism for the use of employees' personal management data. Explain the purpose and use of collecting employees' personal data when they join the Company, and compensate employees for the use of their personal data.<br>- Strengthen internal audit checks and control processes.<br>- Have a team familiar with the Company and listing regulations of Hong Kong and the Chinese mainland. Hire professional lawyers to draft and review important documents and contracts, and identify and reduce risks during the project delivery process.<br>- Carry out regular training, including regional/industry regulations, employee behavior, etc.<br>- Establish the "Temporary Wage Employment Process" to monitor that the working hours of temporary workers do not exceed the specified limit.<br>- Install file encryption systems on office computers.<br>- Obtain the latest policy information through various channels.<br>- Sign non - disclosure agreements with suppliers providing human resources consulting/out - sourcing services.<br>- Organize internal and external experts to carry out regulatory training to ensure that employees promptly understand and master the latest regulatory developments. | Low | ↓<br>During the year, the Company has made great efforts to establish rules and regulations, strengthened the level of risk monitoring, enhanced its risk resistance ability, reduced the impact of risks, and the overall risk level has decreased. |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Information Technology | System failures/errors or the Company's failure to promptly keep up with the latest market technologies will cause customers to lose confidence in the company and lead to the loss of its leading position in the relevant field. As a result, it will have an impact on the sustainable development of the Company's business. | - Continuously strengthen the training of confidentiality awareness and confidentiality management, and implement strict employee confidentiality measures, including the Group's unified provision of computers, and the system registry requiring domain user verification, etc.<br>- Regularly inspect, update, and repair the payroll system, tax filing software, and computers.<br>- Suppliers and internal system technical support can provide assistance and support services at any time.<br>- Purchase the operation and maintenance services of the manufacturer and carry out planned upgrades and maintenance.<br>- Standardize the permission management of the CRM system.<br>- Establish emergency procedures for manual salary calculation, preparation, and approval of payrolls.<br>- Establish a disaster recovery plan and a business continuity plan (CBCP).<br>- Formulate a business continuity plan (BCP).<br>- Implement in accordance with company regulations, including the basic norms for on-site project implementation work, the standard norms for the use of business systems, the system security management system, the system inspection system, etc.<br>- Regularly review file management and optimize file management work.<br>- Identify risks of the Company's internal support systems and improve the risk prevention mechanism.<br>- System suppliers conduct regular drills for system recovery. | Low | ← →<br><br>The management of the information system is standardized, and the overall risk level remains unchanged. |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| | | - Optimize the system, strengthen technical maintenance. Regularly inspect the system through intrusion detection, encryption technology, security technology, access control technology, virus detection, etc., and promptly detect and troubleshoot failures.<br>- Establish service standard commitments in the contract with the system supplier, and be able to claim compensation for accidents.<br>- Formulate system security protection measures, including 24-hour monitoring of all entrances and exits of the office, and internal employees making APP visitor appointments in advance.<br>- Classify data, set different permissions. Important documents need to be kept by specific employees and ensure they are stored in locked file cabinets.<br>- Migrate, upgrade, and backup data, regularly verify the backup recovery situation, specify business plans, and continuously follow up.<br>- Assign dedicated personnel to be responsible for system security in large-scale projects. | | |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Operational Management | Insufficient daily operation monitoring measures in various departments of the Company can lead to damage to the Company's reputation and finances. These issues include the misappropriation or replication of the Company's products, credit risks, inadequately low contract pricing, insufficient project monitoring, insufficient budget monitoring, contract risks, and over-reliance on a single sales channel, among others. | - Continuously communicate with various departments, feedback customer opinions, and assist each department in clearly understanding development goals and implementing specific plans.<br>- Strengthen the capabilities of audit work. The tax planning is coordinated by the management of the Finance Department. The Audit Department formulates an annual audit plan for the scheduled audit tasks (and the required human resources) and obtains prior approval from the management. Accountants with rich tax experience are hired to handle tax management and accounting. The department's employees all have extensive experience in audit, compliance, and legal affairs from professional firms.<br>- Implement strict systems and continuously improve them, including unified trademark design, brand market positioning, expense overrun warning system, quality management system, employee expense reimbursement system, on-site customer return visit service, bid evaluation system, intellectual property management system, quality testing process, etc. | Low to medium | ← →<br>Strengthen the management of business and operating costs as well as product quality. The number of medium-risk projects has relatively decreased, and there is an expected potential for further decline in the future. |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| | | - Strengthen employee management, covering aspects such as employees' overtime hours and wages, attendance check-in mechanisms, and travel expense reimbursement.<br>- Develop short-term, medium-term, and long-term channel development strategies.<br>- Establish a systematic supervision procedure for implementing development goals and execution plans. For example, formulate action plans and deadlines for each department, require regular progress reports, and incorporate the achievement of short-term development goals and the implementation of plans into the key performance indicators (KPI) of each department.<br>- Strengthen product quality management. When initiating product projects, strictly adhere to the company's various R&D management specifications. During the product R&D process, promptly verify the correctness of requirements. Cooperate with professors from universities and research institutions, and refer to advanced academic theories during product design. All product releases must pass testing, meet the product quality standards, have clear quality evaluations and test conclusions, and go through release approval in accordance with the defined release process. | | |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| | | - The Company has clear regulations on the confidentiality management of technical data and information, and updates them regularly according to needs.<br>- Maintain close and good communication with customers, formulate detailed demand research plans, and carry out demand research as scheduled. Regularly communicate with channel partners or customers to listen to improvement suggestions. Establish a review system for project business plans and technical plans, with customer participation in the review.<br>- The Purchasing Department closely monitors market trends.<br>- Benchmark against the operation system management of competitors, and collaborate with the Operations Department, Platform and Technology Department to sort out and establish the requirements for the supplier operation system, realizing automated system authorization and deduction. | | |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Natural Disaster | Severe disasters such as fires, floods, the outbreak of infectious viruses, etc., will have an impact on daily operations, resulting in financial losses for the Company. | - Establish corresponding prevention and control systems at the company level, including crisis management, personnel safety management, logistics management, etc.<br>- Improve the safety protection of the office area. For example, establish smoke-free zones in the office building, regularly inspect and maintain the fire prevention facilities and other emergency equipment in the office (such as flood control sandbags, etc.).<br>- Disinfect the office area regularly.<br>- Regularly organize employees to conduct emergency drills and training for natural disasters such as fires and earthquakes.<br>- Purchase business interruption insurance.<br>- Pay attention to major meteorological warnings, take timely preventive measures to avoid losses.<br>- Establish a remote working mode to ensure business continuity.<br>- Enhance employees' awareness of safety protection against infectious diseases and promptly follow up on their physical health conditions. | Low | ↓<br>The capabilities of the personal protection and public health system have been enhanced; the defensive capabilities against infectious disease outbreaks and other situations have been improved; emergency measures have been effectively implemented, enhancing resilience, and the risk level of natural disasters has decreased. |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Physical Assets | In the operation of an enterprise, it faces risks such as the illegal theft and leakage of customer data, the misappropriation of official seals, as well as threats like the theft of the Company's inventory and cash in storage. | - Improve the Company's official seal custody system and implement it strictly. Designate a specific person to be in charge of the management, and store the seal in a dedicated cabinet. Keep records of the use of each major seal of the company.<br>- Strengthen inventory management. Store the inventory in the warehouse, which is managed by warehouse keepers and locked outside of working hours. The system records all incoming and outgoing movements.<br>- Carry out regular physical inventories of fixed assets under the witness of the Finance Department.<br>- Install closed-circuit television cameras at all entrances and exits of the office for 24-hour monitoring.<br>- Strengthen cash management, including reconciling cash inflows and outflows, carrying out irregular cash inventories, etc.<br>- Employees need to use specific access control cards when entering and leaving the office.<br>- Strengthen visitor management and standardize the visitor reception registration process.<br>- Employees sign confidentiality agreements, and if necessary, sign non-competition agreements.<br>- Implement strict data management, standardize the process and data filing. Important documents should be kept by specific employees and ensure they are stored in locked file cabinets.<br>- Each computer/database is equipped with a firewall and locked with an independent password. Employees are required to change their passwords regularly.<br>- Formulate the handover procedures for employees leaving the company. | Low | ← →<br>The standardized management of fixed assets has been effectively implemented to prevent risks, and there has been no change in the risk situation during the year. |

| Risk Category | Key Risk | Main Monitoring Measures and Risk Countermeasures | Risk Level | Risk Change[1] |
|---|---|---|---|---|
| Energy and Environmental Protection | The procurement cost increases due to climate change or national environmental protection policies. Failure to effectively monitor the pollution (such as noise, waste gas, electronic waste, etc.) emitted by projects will have a negative impact on the environment. There are also issues regarding the use of resources and energy in the daily operation process. | - Improve the system of rules and regulations, incorporating environmental protection elements into the training system, procurement system, internal management system, etc.<br>- The Group's Legal and Compliance Department monitors relevant environmental protection laws and related information to ensure that all operations comply with legal requirements and actively formulates response measures.<br>- Use resources rationally, advocate energy conservation in electricity and water use, paperless office work, and assign dedicated personnel for inspections.<br>- Strengthen waste management, monitor waste generation in real - time, place and designate licensed suppliers to handle hazardous waste, such as electronic waste.<br>- Carry out training on environmental protection laws for employees and suppliers.<br>- Incorporate environmental protection factors into investment decisions.<br>- Carry out qualification assessments for suppliers, dynamically manage qualified suppliers, and formulate legal requirements regarding environmental protection and product safety.<br>- Regularly inspect and maintain the office.<br>- Refine environmental protection assessment indicators to reduce environmental protection risks and losses.<br>- Dedicated to researching and developing energy - saving technologies.<br>- Pay close attention to advanced energy - saving and environmental protection technologies and products, and carry out energy - saving transformations.<br>- Carry out a comprehensive self - inspection of the company's production activities to identify behaviors that violate environmental protection laws. | Low | ← →<br>Due to the nature of the business, this risk remains stable. |

1 Note: Risk Variation-Risk Level increases ( ↑ ) 、decreases ( ↓ ) or remains unchanged (← →)

# DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 December 2024.

## PRINCIPAL ACTIVITIES

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

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the five largest customers accounted for approximately 14.24% of the Group's total turnover. The five largest suppliers accounted for approximately 5.81% of the Group's total purchase amounts. In addition, the largest customer accounted for approximately 6.28% of the Group's total turnover while the largest supplier accounted for approximately 3.06% 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 6.28% and 3.06% respectively of the total sales and total purchases of the Group for the year ended 31 December 2024.

## 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 2024 are set out in the consolidated Income Statement on page 64.

## FINAL DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK$0.08 in respect of the year ended 31 December 2024 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 2024, 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 40 to the consolidated financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 42 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 16 to the consolidated financial statements.

## CONNECTED TRANSACTIONS

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

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

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

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

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

## A. Supply Transactions

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

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

The aggregate transactions under Supply Transactions for the year ended 31 December 2024 amounted to approximately RMB546,092,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2024 and confirmed that the Supply Transactions were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favorable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the Listing Rules; and (iii) in accordance with the relevant agreement governing the Supply Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

## B. Selling Agency Transactions

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

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

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

The aggregate transactions under Selling Agency Transactions for the year ended 31 December 2024 amounted to RMB658,870,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2024 and confirmed that the Selling Agency Transactions were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favorable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the Listing Rules; and (iii) in accordance with the relevant agreement governing the Selling Agency Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

### C. Purchase Transactions

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

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

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

The aggregate transactions under Purchase Transactions for the year ended 31 December 2024 amounted to RMB456,090,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2024 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 the year ended 31 December 2024 are RMB20,000,000.

Further details of such continuing connected transaction were disclosed in the Company's announcement dated 27 December 2024.

The use of Common Services for the year ended 31 December 2024 amounted to approximately RMB16,582,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2024 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 29 December 2023, the Company and Inspur Group entered into the Supplemental Agreement, The maximum annual caps under Lease Transactions will not exceed RMB10,000,000 ended 2024 respectively.

Further details of such continuing connected transaction were disclosed in the Company's announcement dated 29 December 2023.

During the year ended 31 December 2024, the property rental and management fees collected amounted to approximately RMB9,488,000.

The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2024 and confirmed that the Leasing were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favorable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the Listing Rules; and (iii) in accordance with the relevant agreement governing the Leasing Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

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

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

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

   During the year ended 31 December 2024, the property rental and management fees collected amounted to approximately RMB31,084,000.

   The independent non-executive directors have reviewed the above connected transactions for the year ended 31 December 2024 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 2024, the Group leased properties located in Hong Kong to a fellow subsidiary of the Inspur Group, which generated the rental income of RMB623,000.

4. Financial Services

On 28 July 2022, The Group signed Framework Financial Services Agreement with Inspur Finance, pursuant to which Inspur Finance agrees to provide several categories of financial services including Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services on a non-exclusive basis to the Group for a term of three years ending on 31 December 2025.

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

For the year ended 31 December 2024, the maximum daily deposit balance (including any accrued interest) was approximately RMB497,440,000 and the transaction amount of comprehensive credit service is about RMB334,115,000.

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 2024, the Group collected interest income from Inspur Finance, which generated the interest income of RMB3,109,000.

6. Travel Service

On 28 March 2024, the Group revised the framework travel service agreement with Inspur Travel and accordingly, Inspur Travel agreed to provide certain travel services to the Group for the period from 28 March 2024 to 31 December 2024. The maximum transaction limit does not exceed RMB30,000,000.

Details of the above related party transactions were disclosed in the announcement on 28 March 2024. For the year ended 31 December 2024, the amount of travel services was about RMB7,890,000.

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 2024, the Company's reserves available for distribution are set out as below:

| | 2024<br>RMB'000 |
|---|---|
| Reserves | **2,501,435** |

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

## DIRECTORS

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

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

*1 Mr. Wang Xingshan resigned as Executive Director on Feb 1, 2024, and Mr. Zhao Zhen served as Executive Director on Feb 1, 2024.

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

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

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2024, 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 and 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$* |
|---|---|---|---|---|
| Wei Daisen | owner | share option | 450,000*1 | 4.72 |
| Cui Hongzhi | owner | share option | 500,000*1 | 4.72 |
| Wang Yusen | owner | share option | 250,000*1 | 4.72 |
| Zou Bo | owner | share option | 200,000*1 | 4.72 |
| Wong Lit Chor, Alexis | owner | share option | 200,000*2 | 3.16 |
| Zhang Ruijun | owner | share option | 200,000*2 | 3.16 |
| Ding Xiangqian | owner | share option | 200,000*2 | 3.16 |

Notes:

(1) On 11 January 2023, the share options were granted to directors and chief executives under 2018 Share Option Scheme

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

Save as disclosed above, as at 31 December 2024, 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 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders other than the directors of the Company had notified the Company of relevant interests in the issued capital of the Company.

### Long position in shares and underlying shares of the Company

*Ordinary shares of HK$0.01 each of the Company*

| Name of shareholder | Type of Interests | Number of issued ordinary of shares held | Percentage of the issued share capital the Company |
|---|---|---|---|
| Inspur Group Limited | Beneficial owner (Note 1) | 428,278,400 | 37.50% |
| Inspur International (Hong Kong) Co., Limited | Beneficial owner (Note 1) | 193,401,286 | 16.94% |

Note 1: Inspur Group Limited is taken to be interested in 621,679,686 shares due to its indirect 100% shareholdings in the issued share capital of Inspur International (Hong Kong) Co., Limited.

As at 31 December 2024, 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 2024, 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 2024 | Date of Grant | Granted | Exercised | Cancelled | Forfeited | Outstanding as at 31 December 2024 | Exercise price per share (HK$) | Exercise Period | Vesting Period |
| **Directors and chief executives** | | | | | | | | | | |
| Wang Xingshan | 600,000 | 11 Jan 2023 | | | 600,000 | | | 4.72 | 11 Jan 2023 to 10 Jan 2028 | Note 1 |
| Wei Daisen | 450,000 | 11 Jan 2023 | | | | | 450,000 | 4.72 | 11 Jan 2023 to 10 Jan 2028 | Note 1 |
| Cui Hongzhi | 500,000 | 11 Jan 2023 | | | | | 500,000 | 4.72 | 11 Jan 2023 to 10 Jan 2028 | Note 1 |
| Wang Yusen | 250,000 | 11 Jan 2023 | | | | | 250,000 | 4.72 | 11 Jan 2023 to 10 Jan 2028 | Note 1 |
| Zou Bo | 200,000 | 11 Jan 2023 | | | | | 200,000 | 4.72 | 11 Jan 2023 to 10 Jan 2028 | Note 1 |
| Wong Lit Chor, Alexis | 200,000 | 16 Oct 2018 | – | | – | – | 200,000 | 3.16 | 16 Oct 2018 to 15 Oct 2028 | Note 2 |
| Zhang Ruijun | 200,000 | 16 Oct 2018 | – | – | – | – | 200,000 | 3.16 | 16 Oct 2018 to 15 Oct 2028 | Note 2 |
| Ding Xianqian | 200,000 | 16 Oct 2018 | – | – | – | – | 200,000 | 3.16 | 16 Oct 2018 to 15 Oct 2028 | Note 2 |
| **Sub-total** | **2.600,000** | | **–** | **–** | **600,000** | | **2,000,000** | | | |
| **Employees** | 30,620,000 | 11 Jan 2023 | – | | 3,138,000 | – | 27,482,000 | 4.72 | 11 Jan 2023 to 10 Jan 2028 | Note 1 |
| **Employees** | 655,100 | 28 Aug 2020 | – | – | – | | 655,100 | 2.29 | 28 Aug 2020 to 27 Aug 2030 | Note 3 |
| **Sub-total** | **31,275,100** | | **–** | **–** | **3,138,000** | | **28,137,100** | | | |
| **Total** | **33,875,100** | | | **–** | **3,738,000** | **–** | **30,137,100** | | | |

Notes:

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

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

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

Save as disclosed above, as at 31 December 2024, 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.

1. The number of share options available for grant under the scheme mandate relating to the Share Option Scheme at the beginning and end of the year is summarized below:

| Date | Description of Share Option Action | Number of Share Options Available for Grant (Note 1) |
|---|---|---|
| At 1 January 2024 | Opening balance of scheme authorisations | 78,052,073 |
| At 31 December 2024 | Remaining balance of scheme authorisation | 78,052,073 |

Note: No specific service provider has submitted the number of share options available under the Group's Share Option Scheme.

2. During the year, the number of shares available for issue under the Share Option Scheme was 1,255,100 shares and based on the weighted average number of 1,141,920,731 shares of the Company in issue during the year, the number of shares that may be issued under the Group's Share Option Scheme and share options granted under all the schemes of the Company represented 0.11% of the weighted average number of shares in issue during the year.

## 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 2024, none of the directors, chief executive, initial management shareholders or its substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interests in a business which competes with or may compete with the business of the Group.

## AUDIT COMMITTEE

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

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

The Group's audited results for the year ended 31 December 2024 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 2024.

## 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 2024.

## 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 2024.

## CLOSURE OF REGISTER OF MEMBERS

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

The register of members will be closed from 12 June 2025 to 17 June 2025 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17 Floor 1712-1716 room, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 11 June 2025.

The register of members will be closed from 1 July 2025 to 4 July 2025 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17 Floor 1712-1716 room, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 30 June 2025.

## AUDITOR

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

On behalf of the Board
**Zhao Zhen**
*CHAIRMAN*

31 March 2025

# INDEPENDENT AUDITOR'S REPORT

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

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

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

## OPINION

We have audited the consolidated financial statements of Inspur Digital Enterprise Technology Limited, (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 153 which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, 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 (the "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.

## KEY AUDIT MATTERS (continued)

### *Revenue recognition of software development contracts*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| 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.<br><br>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.<br><br>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.<br><br>Details relating to the Group's revenue arising from software development contracts and corresponding key estimation uncertainty on recognition are set out in Notes 4 and 5 to the consolidated financial statements respectively. | We have evaluated the key controls over the preparation of estimated total costs for the contract and determination of the progress towards complete satisfaction relating to the software development contracts.<br><br>We have interviewed the project managers of selected software development projects, on a sample basis, to obtain an understanding of the contract work status and evaluating the reasonableness of estimated total costs for the contract.<br><br>On a sampling basis, we have checked the total contract sum, the estimated total costs for the contract and costs incurred for the work performed to date against the supporting documents.<br><br>We obtained understanding of, evaluated and tested the IT general controls over the system where the timesheet information of the software development contracts are recorded and maintained.<br><br>On a sampling basis, we have checked the computation of the progress towards complete satisfaction of the relevant performance obligation based on costs incurred for the work performed to date relative to the estimated total costs for the contract and checking whether contract revenue was recognised properly based on the progress towards complete satisfaction of the relevant performance obligation. |

## KEY AUDIT MATTERS (continued)

### *Valuation of investment properties*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| We identified valuation of investment properties as a key audit matter due to subjective judgments and estimates required in determining the fair value.<br><br>As at 31 December 2024, 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 RMB 781,794,000.<br><br>The Group's investment properties located in Jinan and part of the investment properties located in Beijing, totally accounted for approximately 97% of the carrying amount of the investment properties, are determined by the directors of the Company using the fair value model based on a valuation performed by a firm of professional valuer (the "Valuer"). In determining the fair value of the investment properties, the Valuer has applied an income capitalisation approach which involves, inter-alia, certain estimates, including appropriate capitalisation rates, and market rent of comparable properties. Details relating to the Group's investment properties are set out in Note 16 to the consolidated financial statements. | We have discussed with management to understand valuation process of the investment properties.<br><br>We have evaluated the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work.<br><br>We obtained a copy of valuation report prepared by the Valuer and discussed with the Valuer together with our valuation expert to understand the basis of determination of valuation and evaluate the Valuer's methodologies and basis of judgments in valuing the investment properties and obtained the evidence that to support the key input, among others, rental income and term of existing leases. |

## 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.

## 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.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Kwan Chi Fung**
Practising Certificate Number: P06614
Hong Kong
31 March 2025

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

| | NOTES | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| Revenue | 5 | **8,200,805** | 8,294,446 |
| Cost of sales | | **(5,992,386)** | (6,376,644) |
| Gross profit | | **2,208,419** | 1,917,802 |
| Other income | 7 | **190,143** | 222,098 |
| Other gains and losses | 7 | **(850)** | (3,024) |
| Impairment losses under expected credit loss model, net of reversal | 8 | **(141,079)** | (66,245) |
| Administrative expenses | | **(375,188)** | (367,543) |
| Research and development expenses | | **(864,719)** | (859,197) |
| Selling and distribution expenses | | **(496,596)** | (538,294) |
| Finance costs | 10 | **(9,257)** | (6,367) |
| Changes in fair value of investment properties | | **(42,230)** | (29,138) |
| Share of results of associates | | **11,442** | 7,677 |
| Share of result of a joint venture | | **306** | 895 |
| Profit before tax | | **480,391** | 278,664 |
| Income tax expense | 9 | **(86,750)** | (68,239) |
| Profit for the year | 10 | **393,641** | 210,425 |
| Profit for the year attributable to: | | | |
| – Owners of the Company | | **384,705** | 201,630 |
| – Non-controlling interests | | **8,936** | 8,795 |
| | | **393,641** | 210,425 |
| **Earnings per share** | 14 | | |
| – Basic (RMB Cent) | | **33.69** | 17.66 |
| – Diluted (RMB Cent) | | **33.68** | 17.65 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Profit for the year | **393,641** | 210,425 |
| **Other comprehensive income (expense):** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Gain on revaluation upon transfer from property, plant and equipment to investment properties | **5,483** | 1,300 |
| Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties | **(822)** | (195) |
| Remeasurement of deferred tax on revaluation of non-current assets | **57,253** | — |
| | **61,914** | 1,105 |
| *Item that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of foreign operations | **5,186** | (176) |
| Other comprehensive income for the year, net of income tax | **67,100** | 929 |
| **Total comprehensive income for the year** | **460,741** | 211,354 |
| **Total comprehensive income for the year attributable to:** | | |
| – Owners of the Company | **451,805** | 202,559 |
| – Non-controlling interests | **8,936** | 8,795 |
| | **460,741** | 211,354 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

| | NOTES | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **257,659** | 296,840 |
| Investment properties | 16 | **781,794** | 790,072 |
| Right-of-use assets | 17 | **47,868** | 55,689 |
| Other intangible assets | 18 | **73,026** | 33,628 |
| Financial assets at fair value through profit or loss ("FVTPL") | | **1,000** | — |
| Interests in associates | 19 | **456,654** | 445,281 |
| Interest in a joint venture | 20 | **137,614** | 137,308 |
| | | **1,755,615** | 1,758,818 |
| **Current assets** | | | |
| Inventories | 21 | **2,816** | 1,494 |
| Trade and bills receivables | 22 | **3,141,322** | 1,605,229 |
| Debt instruments at fair value through other comprehensive income ("FVTOCI") | | **10,354** | 15,453 |
| Prepayments, deposits and other receivables | | **488,577** | 431,450 |
| Contract assets | 23 | **1,059,191** | 824,391 |
| Amount due from ultimate holding company | 24 | **19,728** | 1,966 |
| Amounts due from fellow subsidiaries | 24 | **619,497** | 389,460 |
| Pledged bank deposits | 25 | **99,291** | 31,654 |
| Bank balances and cash | 25 | **908,405** | 1,264,504 |
| | | **6,349,181** | 4,565,601 |
| **Current liabilities** | | | |
| Trade payables | 26 | **2,606,646** | 1,198,861 |
| Other payables, deposits received and accrued expenses | 27 | **927,314** | 820,594 |
| Lease liabilities | 28 | **10,518** | 13,896 |
| Contract liabilities | 23 | **1,144,112** | 1,427,669 |
| Provisions | 29 | **12,580** | 7,910 |
| Amount due to ultimate holding company | 30 | **2,488** | 1,172 |
| Amounts due to fellow subsidiaries | 30 | **333,196** | 218,816 |
| Amount due to an associate | 31 | **104,472** | 146,001 |
| Deferred income - government grants | 34 | **20,578** | 24,430 |
| Tax liabilities | | **121,295** | 55,729 |
| | | **5,283,199** | 3,915,078 |
| **Net current assets** | | **1,065,982** | 650,523 |
| **Total assets less current liabilities** | | **2,821,597** | 2,409,341 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

| | NOTES | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | 28 | **5,295** | 6,286 |
| Deferred income - government grants | 34 | **34,595** | 83,840 |
| Deferred tax liabilities | 35 | **170,288** | 221,544 |
| Amount due to an associate | 31 | **26,672** | — |
| | | **236,850** | 311,670 |
| **Net assets** | | **2,584,747** | 2,097,671 |
| **Capital and reserves** | | | |
| Share capital | 32 | **10,796** | 10,796 |
| Reserves | | **2,501,435** | 2,036,768 |
| Equity attributable to owners of the Company | | **2,512,231** | 2,047,564 |
| Non-controlling interests | | **72,516** | 50,107 |
| **Total equity** | | **2,584,747** | 2,097,671 |

The consolidated financial statements on pages 63 to 153 were approved by the Board of Directors on 31 March 2025 and were signed on its behalf by:

**Mr. WANG Yusen**
*Director*

**Mr. ZHAO Zhen**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

| | 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 | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2023 | 10,796 | 1,371,809 | (498,594) | 98 | 1,359 | 11,424 | 96,521 | (347,589) | 1,191,811 | 1,837,635 | 40,332 | 1,877,967 |
| Profit for the year | – | – | – | – | – | – | – | – | 201,630 | 201,630 | 8,795 | 210,425 |
| Other comprehensive (expense) income | – | – | – | – | – | (176) | 1,105 | – | – | 929 | – | 929 |
| Total comprehensive (expense) income for the year | – | – | – | – | – | (176) | 1,105 | – | 201,630 | 202,559 | 8,795 | 211,354 |
| Contribution by non-controlling interest of a subsidiary | – | – | – | – | – | – | – | – | – | – | 980 | 980 |
| Dividend paid | – | – | – | – | – | – | – | – | (20,548) | (20,548) | – | (20,548) |
| Recognition of equity-settled share-based payments (note 33) | – | – | – | – | 27,918 | – | – | – | – | 27,918 | – | 27,918 |
| At 31 December 2023 and 1 January 2024 | 10,796 | 1,371,809 | (498,594) | 98 | 29,277 | 11,248 | 97,626 | (347,589) | 1,372,893 | 2,047,564 | 50,107 | 2,097,671 |
| Profit for the year | – | – | – | – | – | – | – | – | 384,705 | 384,705 | 8,936 | 393,641 |
| Other comprehensive income | – | – | – | – | – | 5,186 | 61,914 | – | – | 67,100 | – | 67,100 |
| Total comprehensive income for the year | – | – | – | – | – | 5,186 | 61,914 | – | 384,705 | 451,805 | 8,936 | 460,741 |
| Contribution by non-controlling interest of a subsidiary | – | – | 21,764 | – | – | – | – | – | – | 21,764 | 13,473 | 35,237 |
| Dividend paid (note 13) | – | – | – | – | – | – | – | – | (31,250) | (31,250) | – | (31,250) |
| Recognition of equity-settled share-based payments (note 33) | – | – | – | – | 22,348 | – | – | – | – | 22,348 | – | 22,348 |
| At 31 December 2024 | 10,796 | 1,371,809 | (476,830) | 98 | 51,625 | 16,434 | 159,540 | (347,589) | 1,726,348 | 2,512,231 | 72,516 | 2,584,747 |

Notes:

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

(ii) The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the amount of the Company's shares issued for the acquisition at the time of the reorganisation prior to the listing of the Company's shares in 2003.

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before tax | **480,391** | 278,664 |
| Adjustments for: | | |
| Share of results of associates | **(11,442)** | (7,677) |
| Share of results of joint ventures | **(306)** | (895) |
| Interest income on bank deposits | **(7,516)** | (8,148) |
| Finance costs | **9,257** | 6,367 |
| Changes in fair value of investment properties | **42,230** | 29,138 |
| Depreciation of property, plant and equipment | **23,802** | 33,418 |
| Depreciation of right-of-use assets | **21,972** | 29,184 |
| Amortisation of other intangible assets | **18,038** | 15,215 |
| (Gain)loss on disposal/written off of property, plant and equipment | **(59)** | 122 |
| Net impairment losses on financial assets | **90,085** | 42,437 |
| Net impairment losses on contract assets | **50,994** | 23,808 |
| Utilisation for onerous contracts, net | **4,670** | (4,641) |
| Government subsidies and grants | **(81,919)** | (72,249) |
| Recognition of equity-settled share-based payments | **22,348** | 27,918 |
| Operating cash flows before movements in working capital | **662,545** | 392,661 |
| Increase in inventories | **(1,322)** | (1,056) |
| Increase in trade and bills receivables | **(1,610,573)** | (589,406) |
| Decrease in debt instruments at FVTOCI | **5,099** | 28,095 |
| Increase in prepayments, deposits and other receivables | **(60,281)** | (179,739) |
| Increase in contract assets | **(285,794)** | (484,522) |
| (Increase) decrease in amount due from ultimate holding company | **(17,417)** | 881 |
| Increase in amounts due from fellow subsidiaries | **(269,563)** | (53,156) |
| Increase in trade payables | **1,407,785** | 600,853 |
| Increase in other payables, deposits received and accrued expenses | **103,528** | 171,728 |
| (Decrease) increase in contract liabilities | **(283,557)** | 351,160 |
| Increase (decrease) in amounts due to fellow subsidiaries | **109,635** | (19,128) |
| Increase in amount due to ultimate holding company | **9** | 266 |
| Increase in deferred income - government grants | **24,431** | 29,719 |
| Cash (used in) generated from operations | **(215,475)** | 248,356 |
| Income taxes paid | **(16,009)** | (8,300) |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | **(231,484)** | 240,056 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through profit or loss | **(1,000)** | — |
| Purchase of property, plant and equipment | **(12,368)** | (26,813) |
| Purchase of other intangible assets | **(57,436)** | (14,843) |
| Proceeds from disposal of property, plant and equipment | **678** | 14,864 |
| Placement of pledged bank deposits | **(67,637)** | (3,261) |
| Additional investment in an associate | **—** | (220,000) |
| Refund of capital from an associate | **69** | — |
| Repayment from ultimate holding company | **—** | 3,794 |
| Repayment from fellow subsidiaries | **27,075** | — |
| Advance to ultimate holding company | **(345)** | — |
| Advance to fellow subsidiaries | **—** | (40,630) |
| Interest received | **7,516** | 8,148 |
| NET CASH USED IN INVESTING ACTIVITIES | **(103,448)** | (278,741) |
| FINANCING ACTIVITIES | | |
| Advances from an associate | **26,672** | 146,001 |
| Proceeds received from advances on discounted bills | **122,100** | 143,001 |
| Proceeds from bank borrowings | **350,444** | — |
| Advances from fellow subsidiaries | **4,745** | 13,967 |
| Advance from ultimate holding company | **1,307** | — |
| Government grant received | **4,391** | 6,423 |
| Capital injection from non-controlling shareholder of a subsidiary | **35,237** | 980 |
| Repayments of advances on discounted bills | **(122,100)** | (143,001) |
| Repayments of bank borrowings | **(350,444)** | — |
| Repayments of lease liabilities | **(19,724)** | (31,919) |
| Dividend paid | **(31,250)** | (20,548) |
| Repayment to ultimate holding company | **—** | (61) |
| Repayment to an associate | **(41,529)** | — |
| Interest paid on lease liabilities | **(1,360)** | (1,481) |
| Interest paid on advances on discounted bills | **(1,812)** | (2,512) |
| Interest paid on bank borrowings | **(2,953)** | — |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | **(26,276)** | 110,850 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | **(361,208)** | 72,165 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | **1,264,504** | 1,193,170 |
| Effect of foreign exchange rate changes | **5,109** | (831) |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash | **908,405** | 1,264,504 |

## 1. GENERAL

Inspur Digital Enterprise Technology Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Inspur Overseas Investment Limited ("Inspur Overseas"), a company incorporated in the British Virgin Islands and Inspur Group Limited ("IPG"), a company established in the People's Republic of China (the "PRC") are the immediate holding company and ultimate holding company of the Company, respectively. The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate information" in the annual report.

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

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

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

In current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Group's financial year beginning on 1 January 2024:

| | |
|---|---|
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### Impact on application of Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current; and Amendments to HKAS 1 – Non-current Liabilities with Covenants

Amendments to HKAS 1 – *Classification of Liabilities as Current or Non-current* issued in 2020 clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification.

Amendments to HKAS 1 – *Non-current Liabilities with Covenants* issued in 2022 further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The adoption of the amendments has no impact on the Group's classification of liabilities as at 1 January 2023, 31 December 2023 and 31 December 2024.

### New and amendments to HKFRSs issued 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 18 | Presentation and Disclosure in Financial Statements[3] |
| HKFRS 19 | Subsidiaries without Public Accountability: Disclosures[3] |
| Amendments to HKAS 21 | Lack of Exchangeability[1] |
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments[2] |
| Amendments to HKFAR 9 and HKFRS7 | Contracts Referencing Nature-dependent Electricity[2] |
| Amendments to HKFRS Accounting Standards | Annual Improvements to HKFRS Accounting Standards - Volume 11[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027
4 Effective for annual periods beginning on or after a date to be determinated

Except as described 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 NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

### New and amendments to HKFRSs issued but not yet effective (continued)

*HKFRS 18 – Presentation and Disclosure in Financial Statements*

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace HKAS 1 *Presentation of Financial Statements*. The new HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the consolidated statement of profit or loss and other comprehensive income; provide disclosures on management-defined performance measures in the notes to the consolidated financial statements and improve aggregation and disaggregation of information to be disclosed in the consolidated financial statements. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and the consequential amendments to other HKFRS *Accounting Standards*, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future consolidated financial statements. The Group will continue to assess the impact of HKFRS 18 on the consolidated financial statements of the Group.

*HKFRS 19 - Subsidiaries without Public Accountability: Disclosures*

HKFRS 19 allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with HKFRS accounting standards. HKFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Company's equity instruments are publicly traded, it is not eligible to elect to apply HKFRS 19.

*Amendments to HKFRS 9 and HKFRS 7 - Amendments to the Classification and Measurement of Financial Instruments*

The amendments include requirements on classification of financial assets with environmental, social or governance (ESG) targets and similar features; settlement of financial liabilities through electronic payment systems; and disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The amendments are effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Investments in associates and joint ventures

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

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

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

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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Investments in associates and joint ventures (continued)

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.

Revenue from contracts with customers

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

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

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

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

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

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

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

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

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

Input method

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

*Principal versus agent*

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Leasing

***Definition of a lease***

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

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

***The Group as a lessee***

*Short-term leases and leases of low-value assets*

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

*Right-of-use assets*

The cost of right-of-use assets includes:

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Leasing (continued)

***The Group as a lessee*** (continued)

*Lease liabilities*

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

The lease payments include:

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

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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).

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Foreign currencies (continued)

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.

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.

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".

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

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.

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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been 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 base 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 differences 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates and a joint venture, 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 when the liability is settled or the asset is realised, based on tax rates (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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Taxation (continued)

For the purposes 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. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable temporary differences.

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

Property, plant and equipment

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Intangible assets

*Intangible assets acquired separately*

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

*Internally-generated intangible assets - research and development expenditure*

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

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

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

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

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

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.

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

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.

Provisions

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

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

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

Financial instruments

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

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.

***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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

***Financial assets*** (continued)

*Classification and subsequent measurement of financial assets* (continued)

(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. 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.

(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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

***Financial assets*** (continued)

*Classification and subsequent measurement of financial assets* (continued)

(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.

*Impairment of financial assets subject to impairment assessment under HKFRS 9*

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, amounts due from ultimate holding company and 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 ultimate holding company and fellow subsidiaries which are 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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

***Financial assets*** (continued)

*Impairment of financial assets subject to impairment assessment under HKFRS 9* (continued)

(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.

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 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

***Financial assets*** (continued)

*Impairment of financial assets subject to impairment assessment under HKFRS 9* (continued)

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

***Financial assets*** (continued)

*Impairment of financial assets subject to impairment assessment under HKFRS 9* (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/amounts due from ultimate holding company and fellow subsidiaries which are in trading nature 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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

***Financial assets*** (continued)

*Impairment of financial assets subject to impairment assessment under HKFRS 9* (continued)

(v) Measurement and recognition of ECL (continued)

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 ultimate holding company and fellow subsidiaries 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.

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains and losses" line item as part of the net foreign exchange gain or loss;

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the revaluation reserve.

*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.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

***Financial liabilities and equity***

*Classification as debt or equity*

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

*Equity instruments*

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

*Financial liabilities at amortised cost*

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

*Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss as part of net foreign exchange gain or loss for financial liabilities that are not part of a designated hedging relationship

*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.

*(a) 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 ("LAT") 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.

*(a) 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.

*(b) Estimation of fair value of investment properties*

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

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

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

(b) 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 RMB781,794,000 (2023: RMB790,072,000) based on a valuation performed by a firm of professional valuer ("Valuer"). In determining the fair value of the investment properties located in Jinan and part of the investment properties located in Beijing, the Valuer has applied income capitalisation approach which involves, inter-alia, certain estimates, including appropriate capitalisation rates and market rent of comparable properties. For other investment properties located in Changsha, Changchun and Hong Kong, the Valuer has applied comparative approach which based on rent market prices of comparable properties.

(c) Provision of ECL for trade and bills receivables and contract assets

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

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

As at 31 December 2024, the gross carrying amount of trade and bills receivables and contract assets were approximately RMB3,310,183,000 (2023: RMB1,699,610,000) and RMB1,230,055,000 (2023: RMB973,078,000), respectively and the balances of allowance for credit losses were approximately RMB168,861,000 (2023: RMB94,381,000) and RMB199,681,000 (2023: RMB148,687,000), 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 37.

## 5. REVENUE

### Disaggregation of revenue from contracts with customers

| Segments | Year ended 31 December 2024 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 | — | — | 2,883,231 | 2,883,231 |
| Software development | 2,761,458 | 1,753,406 | — | 4,514,864 |
| Other software services | — | 802,710 | — | 802,710 |
| | 2,761,458 | 2,556,116 | 2,883,231 | 8,200,805 |
| **Geographical markets** | | | | |
| Mainland China | 2,688,258 | 2,413,553 | 2,202,279 | 7,304,090 |
| United States | — | 29,446 | — | 29,446 |
| Others | 73,200 | 113,117 | 680,952 | 867,269 |
| | 2,761,458 | 2,556,116 | 2,883,231 | 8,200,805 |
| **Timing of revenue recognition** | | | | |
| At point in time | — | — | 2,883,231 | 2,883,231 |
| Over time | 2,761,458 | 2,556,116 | — | 5,317,574 |
| | 2,761,458 | 2,556,116 | 2,883,231 | 8,200,805 |

## 5. REVENUE (continued)

### Disaggregation of revenue from contracts with customers (continued)

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

## 5. REVENUE (continued)

### Performance obligations for contracts with customers

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

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

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

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

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

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

## 6. SEGMENT INFORMATION

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

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

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

## 6. SEGMENT INFORMATION (continued)

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

| Segments | Year ended 31 December 2024 | | | |
|---|---|---|---|---|
| | Cloud services RMB'000 | Management software RMB'000 | Internet of things (IoT) solution RMB'000 | Consolidated RMB'000 |
| Segment revenue | 2,761,458 | 2,556,116 | 2,883,231 | 8,200,805 |
| Segment profit | 132,519 | 430,948 | 95,957 | 659,424 |
| Unallocated other income, gains and losses, net | | | | 50,179 |
| Changes in fair value of investment properties | | | | (42,230) |
| Share of results of associates | | | | 11,442 |
| Share of result of a joint venture | | | | 306 |
| Share-based payments | | | | (22,348) |
| Unallocated administrative expenses | | | | (26,046) |
| Impairment losses under expected credit loss model, net of reversal | | | | (141,079) |
| Finance costs | | | | (9,257) |
| Profit before tax | | | | 480,391 |

## 6. SEGMENT INFORMATION (continued)

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

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

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

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

### Geographical information

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

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

## 6. SEGMENT INFORMATION (continued)

### Geographical information (continued)

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | 2024 RMB'000 | 2023 RMB'000 | 2024 RMB'000 | 2023 RMB'000 |
| Mainland China | **7,304,090** | 8,263,825 | **1,728,806** | 1,729,826 |
| Hong Kong | **43,649** | — | **25,030** | 26,300 |
| Others | **853,066** | 30,621 | **1,779** | 2,692 |
| | **8,200,805** | 8,294,446 | **1,755,615** | 1,758,818 |

### Information about major customers

The Group has no customers with revenue amount more than 10% of the Group's revenue for the years ended 31 December 2024 and 2023.

## 7. OTHER INCOME / OTHER GAINS AND LOSSES

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| **Other income:** | | |
| Interest income on bank deposits | **7,516** | 8,148 |
| VAT refund (Note i) | **57,136** | 100,354 |
| Government subsidies and grants (Note ii) | **81,919** | 72,249 |
| Rental income | **43,331** | 40,567 |
| Others | **241** | 780 |
| | **190,143** | 222,098 |
| **Other gains and losses:** | | |
| Net foreign exchange loss | **(459)** | (307) |
| Net gain (loss) on disposal and written off of property, plant and equipment | **59** | (122) |
| Others | **(450)** | (2,595) |
| | **(850)** | (3,024) |

## 7. OTHER INCOME / OTHER GAINS AND LOSSES (continued)

Notes:

(i) Inspur Generally Software Co., Ltd. ("Inspur Genersoft") and Inspur Communications System Co., Ltd. ("Inspur Communications"), subsidiaries of the Company, are engaged in the business of distribution of self-developed and produced software. Under the current PRC tax regulation, both are entitled to a refund of VAT paid for sales of self-developed software in the PRC.

(ii) For the year ended 31 December 2024, government subsidiaries of approximately RMB4,391,000 (2023: RMB6,423,000) 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 2024, government grants of approximately RMB77,528,000 (2023: RMB65,826,000) represents the grants from the relevant government authorities for funding certain development projects undertaken by the group entities. The grants received are recognised as income when i) the related projects have been completed, ii) the evaluation of the project results by the relevant government authority has been completed, and iii) no other future conditions are required to fulfill by the Group.

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

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| Impairment losses on: | | |
| – Trade and bills receivables | **99,998** | 48,519 |
| – Other receivables | **5,474** | 8,388 |
| – Contract assets | **65,177** | 30,609 |
| – Amounts due from related parties | **20,741** | 3,558 |
| Reversal of impairment losses on: | | |
| – Trade and bills receivables | **(25,518)** | (11,810) |
| – Other receivables | **(2,320)** | (2,912) |
| – Contract assets | **(14,183)** | (6,801) |
| – Amounts due from related parties | **(8,290)** | (3,306) |
| | **141,079** | 66,245 |

Details of impairment assessment are set out in note 37.

## 9. INCOME TAX EXPENSE

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Current tax: | | |
| PRC EIT | **81,494** | 52,991 |
| Withholding tax on distributed earnings | **—** | 3,936 |
| Under (over) provision in prior years | | |
| PRC EIT | **81** | (8,908) |
| Deferred tax (note 35) | **5,175** | 20,220 |
| | **86,750** | 68,239 |

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"), Shandong Inspur Yiyun Online Technology Co., Ltd. ("Inspur Yiyun"), Shenzhen Inspur Zaoshangban Cloud Technology Ltd. ("Shenzhen Inspur Haiyue"), Shandong Inspur Aolin Big Data Technology Co., Ltd. ("Inspur Aolin"), Inspur Communication Information System (Tianjin) Co., Ltd. ("Communication Tianjin") and Inspur Worldwide (Shandong) Service Ltd. ("Worldwide Shandong') and Beijing Genersoft Technology Co., Ltd. ("Beijing Genersoft").

Inspur Communications, Tianyuan Network, Zhengzhou Hualiang, Inspur Yiyun, Shenzhen Inspur Haiyue, Inspur Aolin, Communication Tianjin, Worldwide Shandong 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 2024 and 2023.

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% (2023:10%).

## 9. INCOME TAX EXPENSE (continued)

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

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

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Profit before tax | **480,391** | 278,664 |
| Tax at PRC EIT of 25% (2023: 25%) (Note) | **120,098** | 69,666 |
| Tax effect of share of profit of associates | **(2,861)** | (1,919) |
| Tax effect of share of profit of a joint venture | **(77)** | (224) |
| Tax effect of tax losses not recognised | **21,348** | 91,503 |
| Utilisation of tax losses previously not recognised | **(2,913)** | (2,298) |
| Under (over) provision in respect of prior years | **81** | (8,908) |
| Tax effect of expenses not deductible for tax purpose | **29,591** | 36,519 |
| Tax effects of income not taxable for tax purpose | **(2,439)** | (1,158) |
| Tax effect of additional deduction for research and development expenses | **(167,377)** | (167,200) |
| Income tax at concessionary rate | **(4,313)** | (152) |
| Deferred tax on withholding tax arising from PRC subsidiaries | **11,509** | 11,115 |
| Tax effect of intra group restructuring | **73,546** | 44,644 |
| Tax effect on changes in fair value of investment properties in Mainland China | **10,557** | (7,285) |
| Withholding tax on distributed earnings | **—** | 3,936 |
| Income tax expense | **86,750** | 68,239 |

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 approximately RMB953,268,000 (2023: RMB879,528,000), 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, and the longest period could be 10 years.

Tax losses of approximately RMB558,930,000 (2023: RMB485,404,000) will expire in various years before 2034(2023: 2033). Other tax losses may be carried forward indefinitely.

## 10. PROFIT FOR THE YEAR

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

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Depreciation for property, plant and equipment | **23,802** | 33,418 |
| Depreciation for right-of-use assets | **21,972** | 29,184 |
| Amortisation for other intangible assets | **18,038** | 15,215 |
| Total depreciation and amortisation | **63,812** | 77,817 |
| Auditor's remuneration | | |
| – audit service | **2,100** | 2,060 |
| Expense relating to short-term leases | **22,060** | 18,784 |
| Gross rental income from investment properties | **(43,635)** | (46,059) |
| Less: Direct expenses | **304** | 5,492 |
| Net rental income from investment properties | **(43,331)** | (40,567) |
| Directors' remuneration (note 11) | **9,517** | 13,674 |
| Other staff costs | | |
| Salaries and other benefit | **1,973,289** | 2,009,383 |
| Share-based payments | **21,659** | 26,736 |
| Retirement benefits schemes contributions | **325,277** | 278,467 |
| Total staff costs | **2,320,225** | 2,314,586 |
| Cost of inventories recognised as expense in cost of sales | **2,332,629** | 2,743,322 |
| Interest expense on: | | |
| – Lease liabilities | **1,360** | 1,481 |
| – Advances on discounted bills | **1,812** | 2,512 |
| – Bank borrowings | **2,953** | — |
| – Borrowings from an associate | **3,132** | 2,374 |
| | **9,257** | 6,367 |

## 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:

### For the year ended 31 December 2024

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees RMB'000 | Salaries and other benefits RMB'000 | Retirement benefits scheme contributions RMB'000 | Share-based payment RMB'000 | Total RMB'000 |
| **Executive directors** | | | | | |
| Zhao Zhen (Note i) | — | 3,600 | 160 | — | 3,760 |
| Wang Yusen | — | 1,295 | 102 | 230 | 1,627 |
| Cui Hongzhi | — | 3,141 | 102 | 459 | 3,702 |
| Wang Xingshan (Note ii) | — | 190 | 18 | — | 208 |
| **Non-executive director** | | | | | |
| Li Chunxiang | — | — | — | — | — |
| **Independent non-executive directors** | | | | | |
| Wong Lit Chor, Alexis | 110 | — | — | — | 110 |
| Zhang Ruijun | 55 | — | — | — | 55 |
| Ding Xiangqian | 55 | — | — | — | 55 |
| **General manager** | | | | | |
| Wei Daisen | — | 2,515 | 167 | 413 | 3,095 |
| Total | 220 | 10,741 | 549 | 1,102 | 12,612 |

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

### For the year ended 31 December 2023

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees RMB'000 | Salaries and other benefits RMB'000 | Retirement benefits scheme contributions RMB'000 | Share-based payment RMB'000 | Total RMB'000 |
| **Executive directors** | | | | | |
| Wang Xingshan (Note ii) | — | 6,137 | 105 | 525 | 6,767 |
| Wang Yusen | — | 2,394 | 98 | 219 | 2,711 |
| Cui Hongzhi | — | 3,457 | 85 | 438 | 3,980 |
| **Non-executive director** | | | | | |
| Li Chunxiang | — | — | — | — | — |
| **Independent non-executive directors** | | | | | |
| Wong Lit Chor, Alexis | 108 | — | — | — | 108 |
| Zhang Ruijun | 54 | — | — | — | 54 |
| Ding Xiangqian | 54 | — | — | — | 54 |
| **General Manager** | | | | | |
| Wei Daisen | — | 3,624 | 164 | 394 | 4,182 |
| Total | 216 | 15,612 | 452 | 1,576 | 17,856 |

Notes:

(i) Zhao Zhen appointed as executive director on 1 February 2024.

(ii) Wang Xingshan resigned as executive director on 1 February 2024.

(iii) 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

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

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

During the year ended 31 December 2024, no share options were granted to directors and Chief Executive of the Company in respect of their services to the Group under the Option Scheme (as defined in note 33) (2023: 1,800,000).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

## 12. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the Group, three (2023: three) directors and chief executive of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2023: two) highest paid individuals were as follows:

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Salaries and other benefits | **4,349** | 5,565 |
| Share-based payment | **577** | 550 |
| Retirement benefit scheme contributions | **186** | 158 |
| | **5,112** | 6,273 |

Their remuneration were within the following bands:

| | 2024 No. of employees | 2023 No. of employees |
|---|---|---|
| HK$2,000,001 to HK$2,500,000 | **1** | — |
| HK$3,000,001 to HK$3,500,000 | **1** | 2 |
| | **2** | 2 |

During the year ended 31 December 2024, no share options were granted to non-director and non-chief executive highest paid individuals (2023: 650,000).

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

## 13. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK$0.08 in respect of the year ended 31 December 2024 (2023: HK$0.03) per ordinary share, amounting to approximately HK$91,354,000, equivalent to approximately RMB84,593,000 (2023: HK$34,258,000, equivalent to approximately RMB31,250,000) 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:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Earnings** | | |
| Profit for the year attributable to the owners of the Company | **384,705** | 201,630 |

| | 2024<br>'000 | 2023<br>'000 |
|---|---|---|
| **Number of shares** | | |
| Number of ordinary shares for the purpose of basic earnings per share | **1,141,920** | 1,141,920 |
| Effect of dilutive potential ordinary shares arising from the outstanding share options | **253** | 219 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,142,173** | 1,142,139 |

## 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 2023 | 347,635 | 88,142 | 7,602 | 114,447 | 29,444 | 1,220 | 588,490 |
| Additions | — | 1,863 | 8,187 | 16,051 | 712 | — | 26,813 |
| Transfer from investment properties | 34,770 | — | — | — | — | — | 34,770 |
| Transfer to investment properties | (112,356) | (3,116) | — | — | — | — | (115,472) |
| Disposals/written off | — | — | — | (56,942) | (61) | (1,220) | (58,223) |
| Exchange adjustments | 274 | — | — | — | — | — | 274 |
| At 31 December 2023 | **270,323** | **86,889** | **15,789** | **73,556** | **30,095** | **—** | **476,652** |
| Additions | **—** | **343** | **18** | **908** | **11,099** | **—** | **12,368** |
| Transfer from investment properties | **5,321** | **—** | **—** | **—** | **—** | **—** | **5,321** |
| Transfer to investment properties | **(35,712)** | **(2,141)** | **—** | **—** | **—** | **—** | **(37,853)** |
| Disposals/written off | **—** | **—** | **—** | **(14)** | **(19,273)** | **—** | **(19,287)** |
| Exchange adjustments | **238** | **—** | **—** | **—** | **—** | **—** | **238** |
| At 31 December 2024 | **240,170** | **85,091** | **15,807** | **74,450** | **21,921** | **—** | **437,439** |
| **DEPRECIATION AND IMPAIRMENT** | | | | | | | |
| At 1 January 2023 | 56,774 | 61,831 | 7,595 | 67,215 | 19,570 | 1,104 | 214,089 |
| Charge for the year | 5,745 | 9,829 | 146 | 16,855 | 808 | 35 | 33,418 |
| Transfer to investment properties | (21,687) | (2,885) | — | — | — | — | (24,572) |
| Eliminated on disposals/written off | — | — | — | (42,095) | (3) | (1,139) | (43,237) |
| Exchange adjustments | 114 | — | — | — | — | — | 114 |
| At 31 December 2023 | **40,946** | **68,775** | **7,741** | **41,975** | **20,375** | **—** | **179,812** |
| Charge for the year | **2,336** | **5,176** | **1,651** | **715** | **13,924** | **—** | **23,802** |
| Transfer to investment properties | **(3,889)** | **(1,381)** | **—** | **—** | **—** | **—** | **(5,270)** |
| Eliminated on disposals/written off | **—** | **—** | **—** | **(1)** | **(18,667)** | **—** | **(18,668)** |
| Exchange adjustments | **104** | **—** | **—** | **—** | **—** | **—** | **104** |
| At 31 December 2024 | **39,497** | **72,570** | **9,392** | **42,689** | **15,632** | **—** | **179,780** |
| **CARRYING VALUES** | | | | | | | |
| At 31 December 2024 | 200,673 | 12,521 | 6,415 | 31,761 | 6,289 | — | 257,659 |
| At 31 December 2023 | 229,377 | 18,114 | 8,048 | 31,581 | 9,720 | — | 296,840 |

## 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 2023 | 747,920 |
| Transfer from property, plant and equipment and right-of-use assets | 105,524 |
| Transfer to property, plant and equipment | (34,770) |
| Changes in fair value of investment properties | (29,138) |
| Exchange adjustments | 536 |
| At 31 December 2023 | **790,072** |
| Transfer from property, plant and equipment and right-of-use assets | **39,270** |
| Transfer to property, plant and equipment | **(5,321)** |
| Changes in fair value of investment properties | **(42,230)** |
| Exchange adjustments | **3** |
| At 31 December 2024 | **781,794** |

## 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 2024 was approximately RMB781,794,000 (2023: RMB790,072,000). The fair value has been arrived at based on a valuation carried out by a firm of professional valuer not connected with the Group.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2024 and 2023 are as follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Level 3 RMB'000** | **Fair value RMB'000** | Level 3 RMB'000 | Fair value RMB'000 |
| Commercial property units located | | | | |
| – Hong Kong | **18,817** | **18,817** | 20,045 | 20,045 |
| – Jinan | **376,200** | **376,200** | 373,000 | 373,000 |
| – Beijing - Tianyuan Network | **381,900** | **381,900** | 386,745 | 386,745 |
| – Beijing - Zhengzhou Hualiang (Note) | **—** | **—** | 5,164 | 5,164 |
| – Changsha - Zhengzhou Hualiang | **2,427** | **2,427** | 2,623 | 2,623 |
| – Changchun - Zhengzhou Hualiang | **2,450** | **2,450** | 2,495 | 2,495 |
| | **781,794** | **781,794** | 790,072 | 790,072 |

Note: During the year ended 31 December 2024, office premises with carrying amount of approximately RMB5,321,000 (2023: RMB34,770,000) was transferred to property, plant and equipment upon change for its intended usage from earning rental/ capital appreciation to occupy as its self-owned office premises.

## 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 Hong Kong | Level 3 | Comparative approach<br>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 Jinan | Level 3 | Income capitalisation approach<br>Key inputs are:<br>– Capitalisation rates<br>– Market rent of comparable properties | Key and unobservable inputs are:<br>– Capitalisation rate:6% (2023: 6%)<br>– Market rent of comparable properties ranged from monthly amounts RMB66 to RMB72 (2023: RMB74.4 to RMB80.6) per square meter, by taking accounts of the accessibility, size, locations and condition and environment of properties | – The higher the capitalisation rate, the lower the fair value.<br>– The higher the market rent, the higher the fair value. |
| Office premises located in Beijing - Tianyuan Network | Level 3 | Income capitalisation approach<br>Key inputs are:<br>– Capitalisation rates<br>– Market rent of comparable properties | Key and unobservable inputs are:<br>– Capitalisation rate: 5% -6% (2023: 5% - 6%)<br>– Market rent of comparable properties ranged from monthly amounts of RMB117 to RMB129 (2023: RMB148.8 to RMB155) per square meter for office building and RMB600 to RMB800 (2023: RMB700 to RMB900) for every parking lot, by taking accounts of the accessibility, size, locations and condition and environment of properties | – The higher the capitalisation rate, the lower the fair value.<br>– 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 Beijing - Zhengzhou Hualiang | Level 3 | Comparative approach<br>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<br>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<br>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 amounts at 1 January 2023 | 40,389 | 25,955 | 66,344 |
| Additions | — | 31,853 | 31,853 |
| Transfer to investment properties | (13,324) | — | (13,324) |
| Depreciation charge | (764) | (28,420) | (29,184) |
| Carrying amounts at 31 December 2023 | 26,301 | 29,388 | 55,689 |
| Additions | — | 15,355 | 15,355 |
| Transfer to investment properties | (1,204) | — | (1,204) |
| Depreciation charge | (732) | (21,240) | (21,972) |
| Carrying amounts at 31 December 2024 | **24,365** | **23,503** | **47,868** |

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Expense relating to short-term leases | **22,060** | 18,784 |
| Total cash outflow for leases | **43,144** | 52,184 |

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

During the year ended 31 December 2024, the Group entered into a number of renewal lease agreements in respect of renting properties and recognised right-of-use assets of approximately RMB15,355,000 (2023: RMB31,853,000) and lease liabilities of approximately RMB15,355,000 (2023: RMB31,853,000).

### Restrictions or covenants on leases

In addition, lease liabilities of approximately RMB15,813,000 (2023: RMB20,182,000) are recognised with related right-of-use assets of approximately RMB23,503,000 (2023: RMB29,388,000) as at 31 December 2024. 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 2023 | 95,780 | 50,694 | 5,419 | 151,893 |
| Additions | 14,843 | — | — | 14,843 |
| At 31 December 2023 | **110,623** | **50,694** | **5,419** | **166,736** |
| Additions | **57,436** | **—** | **—** | **57,436** |
| At 31 December 2024 | **168,059** | **50,694** | **5,419** | **224,172** |
| **ACCUMULATED AMORTISATION** | | | | |
| At 1 January 2023 | 61,780 | 50,694 | 5,419 | 117,893 |
| Charge for the year | 15,215 | — | — | 15,215 |
| At 31 December 2023 | **76,995** | **50,694** | **5,419** | **133,108** |
| Charge for the year | **18,038** | **—** | **—** | **18,038** |
| At 31 December 2024 | **95,033** | **50,694** | **5,419** | **151,146** |
| **CARRYING AMOUNTS** | | | | |
| At 31 December 2024 | 73,026 | — | — | 73,026 |
| At 31 December 2023 | 33,628 | — | — | 33,628 |

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. INTERESTS IN ASSOCIATES

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Cost of investments in associates – unlisted | **420,000** | 420,000 |
| Share of post-acquisition profits, net of capital refunds and dividends received | **36,654** | 25,281 |
| | **456,654** | 445,281 |

As at 31 December 2024 and 2023, 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 |
|---|---|---|---|---|---|---|---|
| | | | 2024 | 2023 | 2024 | 2023 | |
| Inspur Group Finance Co., Ltd.* ("Inspur Finance") 浪潮集團財務有限公司 | Domestic limited liability company ("DLLC") | PRC | **20%** | 20% | **20%** | 20% | Providing financial services to Inspur Group Co., Ltd and its subsidiaries |
| Inspur Industrial Innovation (Shandong) Infrastructure Construction Co., LTD* ("Inpur Gongchuang") 浪潮工創(山東)基礎設施建設有限公司 (Note) | 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: As of 31 December 2024 and 2023, the Group had not actually invested in the affiliated company namely Inspur Gongchuang.

### Summarised financial information of the associate

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

## 19. INTERESTS IN ASSOCIATES (continued)

### Inspur Finance

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Current assets | **5,587,522** | 4,848,947 |
| Non-current assets | **8,067,182** | 8,211,808 |
| Current liabilities | **(11,366,765)** | (10,833,701) |
| Non-current liabilities | **(4,669)** | (649) |
| Revenue | **309,264** | 347,999 |
| Profit and total comprehensive income for the year | **57,212** | 38,038 |

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:

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Net assets of Inspur Finance | **2,283,270** | 2,226,405 |
| Proportion of the Group's ownership interest in Inspur Finance | **20%** | 20% |
| The Group's share of net assets of Inspur Finance | **456,654** | 445,281 |

## 20. INTEREST IN A JOINT VENTURE

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Cost of investment in a joint ventures - unlisted | **150,000** | 150,000 |
| Share of post-acquisition losses | **(12,386)** | (12,692) |
| | **137,614** | 137,308 |

## 20. INTEREST IN A JOINT VENTURE (continued)

As at 31 December 2024 and 2023, the Group had interest in the following joint venture:

| 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 |
|---|---|---|---|---|---|
| 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.

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Current assets | **398,946** | 396,271 |
| Non-current assets | **27,273** | 27,392 |
| Current liabilities | **(14,506)** | (12,977) |
| Non-controlling interest of Inspur Cloud's subsidiary | **1,170** | 1,238 |
| The above amounts of assets and liabilities include the following: | | |
| Cash and cash equivalents | **95,936** | 91,481 |

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Revenue | **2,459** | 3,795 |
| Profit and total comprehensive income for the year | **918** | 3,123 |

## 20. INTEREST IN A JOINT VENTURE (continued)

### Summarised financial information of the joint venture (continued)

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

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Net assets attributable to owners of the Inspur Cloud | **412,883** | 411,924 |
| Proportion of the Group's ownership interest in Inspur Cloud | **33.33%** | 33.33% |
| Carrying amount of the Group's interest in Inspur Cloud | **137,614** | 137,308 |

## 21. INVENTORIES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Computer equipment and software products | **2,816** | 1,494 |

## 22. TRADE AND BILLS RECEIVABLES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Trade and bills receivables | **3,310,183** | 1,699,610 |
| Less: Allowance for impairment losses | **(168,861)** | (94,381) |
| | **3,141,322** | 1,605,229 |

## 22. TRADE AND BILLS RECEIVABLES (continued)

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

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| 0-30 days | **1,609,251** | 1,063,945 |
| 31-60 days | **429,004** | 130,627 |
| 61-90 days | **162,446** | 57,405 |
| 91-120 days | **125,933** | 60,895 |
| 121-180 days | **169,652** | 65,702 |
| Over 180 days | **645,036** | 226,655 |
| | **3,141,322** | 1,605,229 |

The Group has no fixed credit period for accounts receivable in sales contracts and generally allows customers a credit period ranging from 0 day to 180 days.

As at 31 December 2024, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately RMB1,532,071,000 (2023: RMB541,284,000) which are aged over 30 days as at the reporting date.

Among the above balances, RMB814,688,000 (2023: RMB292,357,000) are aged over 90 days 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 impairment losses:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| At the beginning of year | **94,381** | 63,695 |
| Impairment losses recognised | **99,998** | 48,519 |
| Impairment losses reversed | **(25,518)** | (11,810) |
| Write-offs | **—** | (6,023) |
| At the end of year | **168,861** | 94,381 |

Details of impairment assessment of trade and bills receivables are set out in note 37.

## 23. CONTRACT ASSETS AND CONTRACT LIABILITIES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Contract assets** | | |
| Current - software development | **1,059,191** | 824,391 |
| **Contract liabilities** | | |
| Current - software development | **1,144,112** | 1,427,669 |

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

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Software development contracts** | | |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | **585,932** | 378,861 |

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.

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% deposition acceptance of orders.

## 24. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Amounts due from related companies:** | | |
| *Trading in nature* | | |
| Ultimate holding company | 19,279 | 1,862 |
| Fellow subsidiaries | 593,455 | 335,949 |
| | 612,734 | 337,811 |
| *Non-trading in nature (Note)* | | |
| Ultimate holding company | 449 | 104 |
| Fellow subsidiaries | 26,042 | 53,511 |
| | 26,491 | 53,615 |
| | 639,225 | 391,426 |
| **Analysed as:** | | |
| Amount due from ultimate holding company | 19,728 | 1,966 |
| Amounts due from fellow subsidiaries | 619,497 | 389,460 |
| | 639,225 | 391,426 |

Note: The amounts due from ultimate holding company and fellow subsidiaries 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 37.

## 25. PLEDGED BANK DEPOSITS / BANK BALANCES AND CASH

At 31 December 2024, 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% (2023: 0% to 2.75%) per annum.

As at 31 December 2024, 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 0.1% to 1.39% (2023: 0% to 2.75%) per annum.

## 26. TRADE PAYABLES

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

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| 0-60 days | **2,079,506** | 892,091 |
| 61-90 days | **33,887** | 7,933 |
| More than 90 days | **493,253** | 298,837 |
| | **2,606,646** | 1,198,861 |

## 27. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Salaries, welfare and bonus payable | **551,294** | 603,507 |
| Other tax payable | **270,293** | 125,367 |
| Others | **105,727** | 91,720 |
| | **927,314** | 820,594 |

## 28. LEASE LIABILITIES

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Lease liabilities payable: | | |
| Within one year | **10,518** | 13,896 |
| Within a period of more than one year but not more than two years | **3,753** | 5,459 |
| Within a period of more than two years but not more than five years | **1,542** | 827 |
| | **15,813** | 20,182 |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(10,518)** | (13,896) |
| Amount due for settlement after 12 months shown under non-current liabilities | **5,295** | 6,286 |

The weighted average incremental borrowing rates applied to lease liabilities range from 4.35% to 4.90% (2023: 4.35% to 4.90%) per annum.

## 29. PROVISIONS

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Analysed for reporting purposes as: | | |
| Current liabilities | **12,580** | 7,910 |

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| At the beginning of year | **7,910** | 12,551 |
| Additional provision in the year | **7,327** | 2,407 |
| Utilisation of provision | **(2,657)** | (7,048) |
| At the end of year | **12,580** | 7,910 |

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

## 30. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| **Amounts due to related companies:** | | |
| *Trading in nature* | | |
| Ultimate holding company | **843** | 834 |
| Fellow subsidiaries | **311,082** | 201,447 |
| | **311,925** | 202,281 |
| *Non-trading in nature (Note)* | | |
| Ultimate holding company | **1,645** | 338 |
| Fellow subsidiaries | **22,114** | 17,369 |
| | **23,759** | 17,707 |
| | **335,684** | 219,988 |
| **Analysed as:** | | |
| Amount due to ultimate holding company | **2,488** | 1,172 |
| Amounts due to fellow subsidiaries | **333,196** | 218,816 |
| | **335,684** | 219,988 |

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

## 31. AMOUNTS DUE TO AN ASSOCIATE

As at 31 December 2024, the amounts due to an associate were the unsecured borrowings which carry fixed interest rates at 3% and 3.3% per annum respectively (2023:3.65%). The loans are repayable in one year and within two years.

## 32. SHARE CAPITAL OF THE COMPANY

| | Number of shares | | Share capital | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **'000** | '000 | **RMB'000** | RMB'000 |
| Ordinary shares of HK$0.01 each: | | | | |
| **Authorised** | | | | |
| At beginning and end of year | **2,000,000** | 2,000,000 | **15,806** | 15,806 |
| **Issued and fully paid** | | | | |
| At beginning and end of year | **1,141,920** | 1,141,920 | **10,796** | 10,796 |

### Equity-settled share options scheme

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

At 31 December 2024, the number of share options had been granted and remained outstanding under the Option Schemes are 30,137,100 shares (2023: 33,875,100 shares) representing less than 3% (2023: less than 4%) of the issued share capital of the Company.

## 33. SHARE OPTION SCHEMES

### Equity-settled share options scheme

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

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

*2018 Option*

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

## 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 approximately 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 approximately RMB1,998,000.

## 33. SHARE OPTION SCHEMES (continued)

### Equity-settled share options scheme (continued)

*2023 Option*

On 11 January 2023, a total of 33,440,000 share options were granted to certain directors and employees under the option scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$4.72 per share. The closing price of the Company's shares immediately before the date on which such share options were granted was HK$3.97.

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

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

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

| | 2023 Option<br>'000 | 2020 Option<br>'000 | 2018 Option<br>'000 |
|---|---|---|---|
| Share price | HK$4.72 | HK$2.29 | HK$3.05 |
| Exercise price | HK$4.72 | HK$2.29 | HK$3.16 |
| Expected volatility | 70.89% | 43.57% | 46.37% |
| Expected life | 5 years | 10 years | 10 years |
| Risk - free rate | 3.21% | 0.52% | 2.48% |
| Expected dividend yield | — | — | 1.14% |

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

## 33. SHARE OPTION SCHEMES (continued)

### Equity-settled share options scheme (continued)

*2023 Option (continued)*

Details of specific categories of options as at 31 December 2024 and 2023 are as follows:

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

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 2024 and 2023:

| | Outstanding at 1 January 2024 | Granted during the year 2024 | Forfeited during the year 2024 | Outstanding at 31 December 2024 |
|---|---|---|---|---|
| 2018 Option | 600,000 | — | — | 600,000 |
| 2020 Option | 655,100 | — | — | 655,100 |
| 2023 Option | 32,620,000 | — | 3,738,000 | 28,882,000 |
| | 33,875,100 | — | 3,738,000 | 30,137,100 |
| Weighted average exercise price | HK$4.64 | — | — | HK$3.39 |

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

## 33. SHARE OPTION SCHEMES (continued)

### Equity-settled share options scheme (continued)

*2023 Option (continued)*

No share options were exercised for the years ended 31 December 2024 and 2023.

The number of share options exercisable at the end of reporting period was 1,255,100 (2023: 1,255,100). Details of the share options held by the directors included in the above table are as follows:

| | Outstanding at 1 January 2023 and 31 December 2023 | Exercised during the year 2024 | Forfeited during the year 2024 | Outstanding at 31 December 2024 |
|---|---|---|---|---|
| 2018 Option | **600,000** | **—** | **—** | **600,000** |
| | **600,000** | **—** | **—** | **600,000** |

The Group recognised the total expense of approximately RMB22,348,000 for the year ended 31 December 2024 in relation to share options granted by the Company (2023: RMB27,918,000).

## 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/ remeasurement of non-current assets RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2023 | (44,807) | (156,322) | (201,129) |
| Charged to profit or loss | (11,115) | (9,105) | (20,220) |
| Charged to other comprehensive income | — | (195) | (195) |
| At 31 December 2023 | **(55,922)** | **(165,622)** | **(221,544)** |
| (Charged) credited to profit or loss | **(11,509)** | **6,334** | **(5,175)** |
| Credited to other comprehensive income | **—** | **56,431** | **56,431** |
| At 31 December 2024 | **(67,431)** | **(102,857)** | **(170,288)** |

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 RMB997,118,000 (2023: RMB612,413,000) 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. 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

## 37. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at FVTPL | **1,000** | — |
| Debt instruments at FVTOCI | **10,354** | 15,453 |
| Financial assets at amortised cost | **4,954,130** | 3,422,947 |
| | **4,965,484** | 3,438,400 |
| **Financial liabilities** | | |
| Amortised cost | **3,730,495** | 2,260,077 |

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

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

*Market risk*

**Currency risk**

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

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

## 37. 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 | |
|---|---|---|---|---|
| | 2024<br>RMB'000 | 2023<br>RMB'000 | 2024<br>RMB'000 | 2023<br>RMB'000 |
| Relative to RMB: | | | | |
| USD | 90,399 | — | 5,135 | — |
| Other currencies | 23,785 | — | 8,029 | — |
| Relative to HK$: | | | | |
| USD | — | 56,886 | — | — |
| Other currencies | — | 25,171 | — | — |

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. For the entities of which their functional currency is RMB, the sensitivity analysis of the change in foreign exchange rate of RMB against USD and other currencies is also presented below. The sensitivity analysis includes only outstanding monetary items which are denominated in relevant foreign currencies and adjusts its translation at the year-end 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% (2023: 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 | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| USD | (3,197) | — |
| Other currencies impact | (591) | 944 |

## 37. FINANCIAL INSTRUMENTS (continued)

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

*Market risk (continued)*

**Interest rate risk**

The Group is exposed to fair value interest rate risk in relation to lease liabilities (note 28) and amounts due to an associate (note 31). The Group's cash flow interest rate risk is primarily related to its bank balances and pledged bank deposits (note 25) and debt instruments at FVTOCI carried at prevailing market rates. 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 (2023: 10 basis points) increase or 10 basis points (2023: 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 (2023: 10 basis points) higher or 10 basis points (2023: 10 basis points) lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2024 would increase by approximately RMB681,000 (2023: RMB948,000) and decrease by approximately RMB681,000 (2023: RMB948,000), respectively.

*Credit risk and impairment assessment*

As at 31 December 2024, 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 and deposits, amounts due from ultimate holding company and fellow subsidiaries, contract assets, pledged bank deposits and bank balances and cash.

## 37. 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 2024 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 2024 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 receivables 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 |

## 37. FINANCIAL INSTRUMENTS (continued)

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

*Credit risk and impairment assessment (continued)*

The table below details 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 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|---|
| **Debt instruments at FVTOCI** | | | | |
| Debt instruments at FVTOCI | Low risk | 12m ECL | **10,354** | 15,453 |
| **Financial assets at amortised cost** | | | | |
| Trade and bills receivables | N/A (Note ii) | Lifetime ECL (provision matrix) | **3,294,798** | 1,678,495 |
| | Loss | Lifetime ECL - credit-impaired | **15,385** | 21,115 |
| | | | **3,310,183** | 1,699,610 |
| Other receivables and deposits | Low risk (Note i) | 12m ECL | **144,168** | 107,578 |
| | Doubtful (Note i) | Lifetime ECL - not credit-impaired | **32,543** | 31,535 |
| | Loss | Lifetime ECL - credit-impaired | **3,410** | 2,101 |
| | | | **180,121** | 141,214 |
| Amounts due from related companies - trading (note 24) | N/A (Note ii) | Lifetime ECL (provision matrix) | **630,954** | 343,408 |
| | Loss | Lifetime ECL - credit-impaired | **4,243** | 4,809 |
| | | | **635,197** | 348,217 |
| Amounts due from related companies – non-trading (note 24) | Low risk (Note i) | 12m ECL | **28,153** | 54,774 |
| | Doubtful (Note i) | Lifetime ECL - not credit-impaired | **237** | 233 |
| | Loss | Lifetime ECL - credit-impaired | **—** | 113 |
| | | | **28,390** | 55,120 |
| | | | **663,587** | 403,337 |
| Pledged bank deposits (note 25) | Low risk | 12m ECL | **99,291** | 31,654 |
| Bank balances and cash (note 25) | Low risk | 12m ECL | **908,405** | 1,264,504 |
| **Other items** | | | | |
| Contract assets (note 23) | N/A (Note ii) | Lifetime ECL (provision matrix) | **1,230,055** | 931,462 |
| | Loss | Lifetime ECL - credit-impaired | **28,817** | 41,616 |
| | | | **1,258,872** | 973,078 |

## 37. 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, contract assets and amounts due from related companies - trading in nature, 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 approximately RMB44,202,000 as at 31 December 2024 were assessed individually (2023: RMB62,731,000).

**Gross carrying amount of trade and bills receivables (not credit-impaired)**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Average loss rate | Trade and bills receivables RMB'000 | Average loss rate | Trade and bills receivables RMB'000 |
| Current and within 1 year | **3.56%** | 2,981,134 | **1.78%** | 1,526,431 |
| Over 1 year and within 2 years | **12.84%** | 289,874 | **17.57%** | 115,963 |
| Over 2 years and within 3 years | **42.83%** | 23,790 | **67.07%** | 30,017 |
| More than 3 years | **100%** | — | **90.79%** | 6,084 |
| | | 3,294,798 | | 1,678,495 |

**Gross carrying amount of contract assets (not credit-impaired)**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Average loss rate | Contract assets RMB'000 | Average loss rate | Contract assets RMB'000 |
| Current and within 1 year | **12.47%** | 1,138,523 | **5.91%** | 824,419 |
| Over 1 year and within 2 years | **29.57%** | 87,750 | **19.39%** | 45,237 |
| Over 2 years and within 3 years | **77.77%** | 3,782 | **64.49%** | 34,418 |
| More than 3 years | **100%** | — | **100.00%** | 27,388 |
| | | 1,230,055 | | 931,462 |

## 37. 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.

(i) The following table shows the reconciliation of loss allowances that has been recognised for trade and bills receivables.

| | Stage 2 Lifetime ECL (not credit-impaired) RMB'000 | Stage 3 Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2023 | 28,031 | 35,664 | 63,695 |
| Impairment losses recognised | 45,969 | 2,550 | 48,519 |
| Impairment losses reversed | (734) | (11,076) | (11,810) |
| Write-offs (Note) | — | (6,023) | (6,023) |
| At 31 December 2023 | **73,266** | **21,115** | **94,381** |
| Impairment losses recognised | **89,905** | **10,093** | **99,998** |
| Impairment losses reversed | **(9,695)** | **(15,823)** | **(25,518)** |
| At 31 December 2024 | **153,476** | **15,385** | **168,861** |

(ii) The following table shows the 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 2023 | 76,462 | 48,417 | 124,879 |
| Impairment losses recognised | 30,609 | — | 30,609 |
| Impairment losses reversed | — | (6,801) | (6,801) |
| At 31 December 2023 | **107,071** | **41,616** | **148,687** |
| Impairment losses recognised | **65,177** | **—** | **65,177** |
| Impairment losses reversed | **(1,384)** | **(12,799)** | **(14,183)** |
| At 31 December 2024 | **170,864** | **28,817** | **199,681** |

## 37. FINANCIAL INSTRUMENTS (continued)

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

*Credit risk and impairment assessment (continued)*

(iii) The following table shows the reconciliation of loss allowances that has been recognised for other receivables and deposits.

| | 12m ECL RMB'000 | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2023 | 1,237 | (133) | 5,031 | 6,135 |
| Impairment losses recognised | 6,349 | 1,609 | 430 | 8,388 |
| Impairment loss reversed | (83) | — | (2,829) | (2,912) |
| Write-offs (Note) | — | — | (531) | (531) |
| At 31 December 2023 | **7,503** | **1,476** | **2,101** | **11,080** |
| Impairment losses recognised | **3,351** | **713** | **1,410** | **5,474** |
| Impairment loss reversed | **(498)** | **(1,721)** | **(101)** | **(2,320)** |
| At 31 December 2024 | **10,356** | **468** | **3,410** | **14,234** |

(iv) The following table shows the reconciliation of loss allowances that has been recognised for amounts due from related parties which are trading in nature.

| | Lifetime ECL (not credit-impaired) RMB'000 | Lifetime ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2023 | 4,993 | 6,351 | 11,344 |
| Impairment losses recognised | 1,649 | 637 | 2,286 |
| Impairment losses reversed | (1,045) | (2,179) | (3,224) |
| At 31 December 2023 | **5,597** | **4,809** | **10,406** |
| Impairment losses recognised | **18,458** | **1,889** | **20,347** |
| Impairment losses reversed | **(5,835)** | **(2,455)** | **(8,290)** |
| At 31 December 2024 | **18,220** | **4,243** | **22,463** |

## 37. FINANCIAL INSTRUMENTS (continued)

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

*Credit risk and impairment assessment (continued)*

(v) The following table shows the reconciliation of loss allowances that has been recognised for amounts due from related parties which are 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 2023 | 114 | 314 | — | 428 |
| Impairment losses recognised | 1,158 | 1 | 113 | 1,272 |
| Impairment losses reversed | — | (82) | — | (82) |
| Write-offs (Note) | — | — | (113) | (113) |
| At 31 December 2023 | **1,272** | **233** | **—** | **1,505** |
| Impairment losses recognised | **390** | **4** | **—** | **394** |
| At 31 December 2024 | **1,662** | **237** | **—** | **1,899** |

Note: The Group writes off a 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 receivables are over five years past due, whichever occurs earlier.

## 37. 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 and deposits, amounts due from ultimate holding company and fellow subsidiaries, pledged bank deposits and bank balances and cash) and certain financial liabilities (including trade payables, other payables and amounts due to ultimate holding company, fellow subsidiaries and an associate) and lease liabilities.

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

| | Weighted average effective interest rate % | Repayable on demand or less than 3 months RMB'000 | 3 months to 6 months RMB'000 | 6 months to 1 year RMB'000 | 1 to 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Total carrying amount at 31 December 2024 RMB'000 |
|---|---|---|---|---|---|---|---|
| **2024** | | | | | | | |
| Trade payables | — | 2,113,393 | 109,283 | 383,970 | — | 2,606,646 | 2,606,646 |
| Other payables | — | 634,669 | 12,894 | 9,458 | — | 657,021 | 657,021 |
| Amount due to ultimate holding company | — | 2,488 | — | — | — | 2,488 | 2,488 |
| Amounts due to fellow subsidiaries | — | 333,196 | — | — | — | 333,196 | 333,196 |
| Amount due to an associate | 3.65 | 1,842 | 113,491 | — | 27,646 | 142,979 | 131,144 |
| Lease liabilities | 4.30-4.85 | 4,086 | 3,524 | 5,758 | 5,358 | 18,726 | 15,813 |
| | | 3,089,674 | 239,192 | 399,186 | 33,004 | 3,761,056 | 3,746,308 |

## 37. FINANCIAL INSTRUMENTS (continued)

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

*Liquidity risk (continued)*

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

### (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 2024 RMB'000 | 2023 RMB'000 | Fair value hierarchy | Valuation techniques and key inputs |
|---|---|---|---|---|
| Financial assets at FVTPL | **1,000** | — | Level 2 | Net assets value of the underlying investment |
| Debt instruments at FVTOCI | **10,354** | 15,453 | Level 2 | Discounted cash flow – future cash flows discounted at a rate that reflects the credit risk of various counterparties. |

*Fair value of financial instruments that are recorded at amortised cos*

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.

## 38. 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 borrowings RMB'000 | Interest payable included in other payable RMB'000 | Amounts due to an associate - non-trading in nature RMB'000 | Amounts due to fellow subsidiaries - non-trading in nature RMB'000 | Amount due to ultimate holding company - non-trading in nature RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2023 | — | — | — | (3,402) | (399) | (20,248) | (24,049) |
| *Financing cash flows:* | | | | | | | |
| Proceeds received from advances on discounted bills | (143,001) | — | — | — | — | — | (143,001) |
| Repayments of advances on discounted bills | 143,001 | — | — | — | — | — | 143,001 |
| Interest paid | — | 2,512 | — | — | — | 1,481 | 3,993 |
| Repayments of lease liabilities | — | — | — | — | — | 31,919 | 31,919 |
| Repayment to ultimate holding company | — | — | — | — | 61 | — | 61 |
| Advances from fellow subsidiaries | — | — | — | (13,967) | — | — | (13,967) |
| Advances from an associate | — | — | (146,001) | — | — | — | (146,001) |
| *Non-cash changes:* | | | | | | | |
| New leases entered | — | — | — | — | — | (31,853) | (31,853) |
| Interest expenses | — | (4,886) | — | — | — | (1,481) | (6,367) |
| **At 31 December 2023** | **—** | **(2,374)** | **(146,001)** | **(17,369)** | **(338)** | **(20,182)** | **(186,264)** |
| *Financing cash flows:* | | | | | | | |
| Proceeds received from advances on discounted bills | **(122,100)** | **—** | **—** | **—** | **—** | **—** | **(122,100)** |
| Proceeds received from bank borrowings | **(350,444)** | **—** | **—** | **—** | **—** | **—** | **(350,444)** |
| Repayments of advances on discounted bills | **122,100** | **—** | **—** | **—** | **—** | **—** | **122,100** |
| Repayments of bank borrowings | **350,444** | **—** | **—** | **—** | **—** | **—** | **350,444** |
| Interest paid | **4,765** | **—** | **—** | **—** | **—** | **1,360** | **6,125** |
| Repayments of lease liabilities | **—** | **—** | **—** | **—** | **—** | **19,724** | **19,724** |
| Advance from ultimate holding company | **—** | **—** | **—** | **—** | **(1,307)** | **—** | **(1,307)** |
| Advances from fellow subsidiaries | **—** | **—** | **—** | **(4,745)** | **—** | **—** | **(4,745)** |
| Repayment to an associate | **—** | **—** | **41,529** | **—** | **—** | **—** | **41,529** |
| Advances from an associate | **—** | **—** | **(26,672)** | **—** | **—** | **—** | **(26,672)** |
| *Non-cash changes:* | | | | | | | |
| New leases entered | **—** | **—** | **—** | **—** | **—** | **(15,355)** | **(15,355)** |
| Interest expenses | **(4,765)** | **(3,132)** | **—** | **—** | **—** | **(1,360)** | **(9,257)** |
| At 31 December 2024 | **—** | **(5,506)** | **(131,144)** | **(22,114)** | **(1,645)** | **(15,813)** | **(176,222)** |

## 39. OPERATING LEASES

### The Group as lessor

Property rental income earned during the year was approximately RMB42,987,000 (2023: RMB40,567,000). 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:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Within one year | **14,261** | 14,615 |
| In the second year | **13,800** | 14,239 |
| In the third year | **—** | 13,807 |
| | **28,061** | 42,661 |

## 40. 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 RMB325,641,000 (2023: RMB278,751,000).

During the years ended 31 December 2024 and 2023, 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 2024 and 2023 under the schemes which may be used by the Group to reduce the contribution payable in future years.

## 41. RELATED PARTY TRANSACTIONS/BALANCES

Apart from the amounts due from and to related parties as disclosed in notes 24 and 30, respectively, the Group had entered into the following related party transactions during the year:

| | Ultimate holding company | | Fellow subsidiaries | |
|---|---|---|---|---|
| | **2024 RMB'000** | 2023 RMB'000 | **2024 RMB'000** | 2023 RMB'000 |
| Sales of goods | **76,967** | 2,827 | **469,125** | 423,524 |
| Services income | **—** | 364 | **658,870** | 675,207 |
| Property rental and related management service income | **10,316** | 10,516 | **30,879** | 33,396 |
| Interest income | **—** | — | **3,109** | 6,154 |
| Purchase of goods | **—** | 3 | **456,090** | 397,679 |
| Sales commission expenses | **—** | 3 | **—** | 6,672 |
| Property rental and related management service expenses | **5** | 1,047 | **16,577** | 12,366 |
| Travelling expenses | **—** | — | **7,890** | — |

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.

As of 31 December 2024, the balances of deposits with an associate, Inspur Finance, were RMB334,115,000 (2023: RMB2,382,000).

### 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.

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Company at 31 December 2024 and 2023 were as follows:

| Name of companies | Form of business structure | Place of incorporation/ registration | Class of share held | Paid up issued ordinary share capital/registered capital | | Proportion of interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2024 | 2023 | 2024 | | 2023 | | |
| | | | | | | Directly | Indirectly | Directly | Indirectly | |
| Inspur Shandong Electronics Information Ltd.* 浪潮(山東)電子信息有限公司 | Wholly foreign owned enterprises | PRC | Capital contribution | **USD90,675,000** | USD90,675,000 | **100%** | **–** | – | 100% | Investment holding |
| Inspur Worldwide (Shandong) Service Ltd.* 山東浪潮數字服務有限公司 | DLLC | PRC | Capital contribution | **RMB172,637,000** | RMB160,000,000 | **–** | **92.68%** | – | 100% | Provision of other software services software development services and trading of computer products |
| Inspur Genersoft Co., Ltd.* 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 Ltd.* 山東浪潮成誠數字服務有限公司 | 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 | **–** | **60.85%** | – | 60.85% | Software development |
| Shenzhen Inspur Zaoshangban Cloud Technology Ltd.* 深圳浪潮海嶽人力資源技術有限公司 | DLLC | PRC | Capital contribution | **RMB33,000,000** | RMB33,000,000 | **–** | **66.66%** | – | 66.66% | Software development |
| Zhengzhou Hualiang Technology Co., Ltd.* 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 |
| Inspur Worldwide Services Limited 浪潮全球服務有限公司 | Incorporated | Republic of Seychelles | Ordinary | **US$1** | US$1 | **–** | **100%** | – | 100% | Provision of other software development services |
| Jinan Inspur Mingda Information Technology Ltd.* 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 Information System Co., Ltd.* 浪潮通信信息系統有限公司 | DLLC | PRC | Capital contribution | **RMB200,000,000** | RMB200,000,000 | **–** | **100%** | – | 100% | Software development |
| Beijing Tianyuan Network Co., Ltd.* 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.

## 42. 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.

## 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### Statement of financial position

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **6,213** | 6,254 |
| Investment properties | **18,817** | 20,045 |
| Interests in subsidiaries | **662,696** | 662,696 |
| Amounts due from subsidiaries | **724,199** | 693,122 |
| | **1,411,925** | 1,382,117 |
| **Current assets** | | |
| Amounts due from fellow subsidiaries | **13** | 13 |
| Amounts due from subsidiaries | **8,158** | 8,158 |
| Bank balances | **11,083** | 10,743 |
| | **19,254** | 18,914 |
| **Current liabilities** | | |
| Other payables | **9,548** | 9,148 |
| Amounts due to subsidiaries | **326** | 326 |
| | **9,874** | 9,474 |
| **Net current assets** | **9,380** | 9,440 |
| **Total assets less current liabilities** | **1,421,305** | 1,391,557 |
| **Non-current liability** | | |
| Amounts due to subsidiaries | **95,909** | 95,909 |
| **Net assets** | **1,325,396** | 1,295,648 |
| **Capital and reserves** | | |
| Share capital (note 32) | **10,796** | 10,796 |
| Reserves | **1,314,600** | 1,284,852 |
| **Total equity** | **1,325,396** | 1,295,648 |

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

### Statement of financial position (continued)

*Movement in the Company's share capital and reserves*

| | Share capital RMB'000 | Reserves RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2023 | 10,796 | 1,261,056 | 1,271,852 |
| Loss for the year and total comprehensive income | — | (4,122) | (4,122) |
| Recognition of equity-settled share-based payment (note 33) | — | 27,918 | 27,918 |
| At 31 December 2023 | 10,796 | 1,284,852 | 1,295,648 |
| Profit for the year and total comprehensive income | — | 7,400 | 7,400 |
| Recognition of equity-settled share-based payment (note 33) | — | 22,348 | 22,348 |
| At 31 December 2024 | **10,796** | **1,314,600** | **1,325,396** |

# FINANCIAL SUMMARY

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2020<br>RMB'000 | 2021<br>RMB'000 | 2022<br>RMB'000 | 2023<br>RMB'000 | **2024**<br>**RMB'000** |
| RESULTS | | | | | |
| Revenue | 2,275,168 | 3,250,401 | 6,966,590 | 8,294,446 | **8,200,805** |
| (Loss) profit before tax | (132,597) | 49,943 | 148,640 | 278,664 | **480,391** |
| Income tax expense | (15,569) | 2,571 | (23,831) | (68,239) | **(86,750)** |
| (Loss) profit for the year | (148,166) | 52,514 | 124,809 | 210,425 | **393,641** |
| (Loss) profit for the year attributable to: | | | | | |
| - Owners of the Company | (139,748) | 53,761 | 118,690 | 201,630 | **384,705** |
| - Non-controlling interests | (8,418) | (1,247) | 6,119 | 8,795 | **8,936** |
| | (148,166) | 52,514 | 124,809 | 210,425 | **393,641** |

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | 2020<br>RMB'000 | 2021<br>RMB'000 | 2022<br>RMB'000 | 2023<br>RMB'000 | **2024**<br>**RMB'000** |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | 3,503,874 | 3,895,514 | 4,818,029 | 6,324,419 | **8,104,796** |
| Total liabilities | (1,809,832) | (2,138,816) | (2,940,062) | (4,226,748) | **(5,520,049)** |
| | 1,694,042 | 1,756,698 | 1,877,967 | 2,097,671 | **2,584,747** |
| TOTAL EQUITY | | | | | |
| Equity attributable to owners of the Company | 1,655,001 | 1,719,157 | 1,837,635 | 2,047,564 | **2,512,231** |
| Non-controlling interests | 39,041 | 37,541 | 40,332 | 50,107 | **72,516** |
| | 1,694,042 | 1,756,698 | 1,877,967 | 2,097,671 | **25,854,747** |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