

# inspur 浪潮

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

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



2025  
ANNUAL REPORT  
年度報告



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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Wei Daisen  
Mr. Wang Yusen  
Mr. Cui Hongzhi  
Mr. Zhao Zhen\*

\* Mr. Zhao Zhen resigned on 9 January 2026 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  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room B&C, 30/F, Tower A  
Billion Center  
1 Wang Kwong Road  
Kowloon Bay  
Kowloon  
Hong Kong

## WEBSITE

[www.inspur.com.hk](http://www.inspur.com.hk)

## LEGAL COUNSEL

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Patrick Mak & Tse  
Rooms 901-905, Wing On Centre  
111 Connaught Road  
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Hong Kong

## MAIN BOARD STOCK CODE

596

# CHAIRMAN'S STATEMENT



On behalf of the Board of Directors of Inspur Digital Enterprise Technology Limited (the "Company"), I hereby present the results report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2025.

## FINANCIAL SUMMARY

During the reporting period, the Group recorded a turnover of RMB 7,308,014,000 (2024: RMB 8,200,805,000), representing a decrease of 10.9% as compared with last year. Revenue generated from cloud services amounted to RMB 2,739,535,000 (2024: RMB 2,761,458,000), representing a decrease of 0.8% as compared with the corresponding period last year, and accounted for 55.1% of the turnover arising from the Group's software and cloud services business. Revenue from management software for the year was RMB 2,236,424,000 (2024: RMB 2,556,116,000), representing a decrease of 12.5% as compared with the corresponding period last year. Revenue derived from IoT solutions stood at RMB 2,332,055,000 (2024: RMB 2,883,231,000), representing a decrease of 19.1% as compared with the corresponding period last year.

Basic earnings per share were RMB 20.59 cents (2024: RMB 33.69 cents), and diluted earnings per share were RMB 20.46 cents (2024: RMB 33.68 cents).

## BUSINESS REVIEW AND OUTLOOK

During the reporting period, the Group adhered to the "AI First" strategy, fully embraced large model technologies of artificial intelligence, continued to develop the Inspur Haiyue large model and full-stack tool services for the enterprise service sector, built AI-native Inspur Haiyue enterprise software, launched the out-of-the-box intelligent agent cluster Inspur Haiyue Commercial AI, deployed high-value intelligent application scenarios, provided customers with leading AI solutions, and assisted enterprises in achieving digital and intelligent transformation.

During the reporting period, the Group adhered to innovation-driven development, seized strategic opportunities brought by technological revolution, industrial transformation and the restructuring of the enterprise software ecosystem. Supported by the product systems of intelligent ERP and PaaS platforms, the Group facilitated the full-business digital transformation of enterprises through the digitalisation of business management and production and operation. At present, it has provided digital and intelligent transformation services for major clients including 94 central state-owned enterprises and 210 China Top 500 enterprises.

During the reporting period, the Group continued to conduct research on cutting-edge technologies in the AI sector and deepen the transformation of technological achievements. Taking AI-native as the main line, the Group integrated AI technologies into all products and continuously built a new-generation intelligent native product layout featuring the "Haiyue Large Model + Haiyue Software + Haiyue Commercial AI", driving the iterative upgrading of the product system in an all-round manner through AI technologies. The Haiyue Large Model V3.0 was launched. Leveraging scenario insight capabilities and enterprise-level data assets accumulated through years of in-depth industry engagement, it enables the in-depth adaptation of AI large models to enterprise business logic and accurate perception of industry-specific semantics, facilitating the implementation of enterprise-level artificial intelligence application scenarios. As the first vertical enterprise service large model in mainland China to complete the dual filing of models and algorithms, the Haiyue Large Model ranks first in both market position and development capability among vertical enterprise service large models in China (CCID). It has been deployed and applied in large enterprises such as Beijing Tong Ren Tang and China Tungsten High-Tech.



## CHAIRMAN'S STATEMENT

The Haiyue Commercial AI V1.0 was launched. Built based on the Haiyue Large Model, it delivers an out-of-the-box intelligent agent cluster, with over 100+ intelligent agents including procurement agents and contract review agents, covering 63 scenarios such as ChatBI, intelligent review, intelligent scheduling and cash flow forecasting. It was awarded the First Prize of Shandong Provincial Artificial Intelligence Science and Technology Progress Award, the Silver Award of China International Software Expo and Typical Demonstration Case in the Software Industry by China Software Industry Association, and was selected as an Excellent Supplier of China Enterprise-level AI Agent (IDC). Relevant applications have been implemented for clients including Shandong Provincial State-owned Assets Supervision and Administration Commission, Dongfang Electric and Shanxi Guoyun.

During the reporting period, targeting the large enterprise market and focusing on core corporate demands including intelligent ERP, group governance, talent management and data governance, the Group launched Inspur Haiyue PaaS Platform iGIX V8.0, large enterprise intelligent ERP GS Cloud V8.0 and Inspur Haiyue HCM V7.0, providing enterprises with comprehensive cloud services to empower the digital and intelligent upgrading of corporate operation and management.

During the reporting period, focusing on network management software and private network digital and intelligent services, the Group continuously advanced product R&D and innovation to enhance service capabilities. For emerging network sectors such as global carrier networks and low-altitude networks, it developed a suite of industry-leading products and solutions, so as to further consolidate and strengthen the technological competitiveness of its management software business.

In 2026, the Group will take AI-native as the main line, focus on the development of management software, industrial software and platform support software, serve the full-business digital and intelligent transformation of enterprises from the two dimensions of management digitalisation and production digitalisation, and accelerate its progress towards becoming a world-class provider of enterprise software, enterprise AI products, technologies and services.

### APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all shareholders for their long-standing strong support for the Group, and pay tribute to all employees for their valuable contributions made to the Group over the past year.

**Wei Daisen**

*Chairman*

Hong Kong, 30 March 2026

# MANAGEMENT DISCUSSION AND ANALYSIS



## FINANCIAL REVIEW

For the year ended 31 December 2025, the Group's revenue was mainly derived from the PRC business. During the Reporting Period, the Group's revenue decreased by 10.9% and gross profit decreased by 8.8% as compared with the corresponding period last year.

### (1) Turnover

During the Reporting Period, the Group recorded turnover of RMB7,308,014,000 (2024: RMB8,200,805,000), representing a decrease of 10.9% as compared with last year. Among which, revenue from cloud services amounted to RMB2,739,535,000 (2024: RMB2,761,458,000), representing a decrease of 0.8% as compared with the corresponding period last year, and revenue from cloud services business accounted for 55.1% of the Group's turnover from software and cloud services business during the year. Revenue from management software during the year amounted to RMB2,236,424,000 (2024: RMB2,556,116,000), representing a decrease of 12.5% as compared with the corresponding period last year. Revenue from Internet of Things solutions amounted to RMB2,332,055,000 (2024: RMB2,883,231,000), representing a decrease of 19.1% as compared with the corresponding period last year.

### (2) Gross profit

In this report, the operating business recorded gross profit of RMB2,014,987,000 (2024: RMB2,208,419,000), representing a decrease of 8.8% as compared with the corresponding period last year. The overall gross profit margin was 27.6% (2024: 26.9%), representing an increase of 0.7% year-on-year.

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

During the Reporting Period, administrative expenses amounted to RMB403,019,000 (2024: RMB375,188,000), representing an increase of 7.4%, mainly due to the increase in expenses resulting from the expansion of management staff.

During the Reporting Period, research and development expenses amounted to RMB726,006,000, and the capitalized amount of research and development expenses for the current period was RMB158,859,000, with total research and development expenditure of RMB884,865,000 (2024: RMB922,134,000), representing a decrease of 4.0% as compared with the corresponding period last year.

During the Reporting Period, selling and distribution costs amounted to RMB567,325,000 (2024: RMB496,596,000), representing an increase of 14.2% as compared with the corresponding period last year, mainly due to the Company's strengthened market promotion and increase in sales personnel.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, other income amounted to RMB119,226,000 (2024: RMB190,143,000), representing a decrease of 37.3% as compared with the corresponding period last year. The main reasons were: 1) government grants amounted to RMB40,203,000 (2024: RMB81,919,000), representing a decrease of 50.9% as compared with the corresponding period last year; 2) rental income from investment properties amounted to RMB25,622,000 (corresponding period of 2024: RMB43,331,000), representing a decrease of 40.9% as compared with the corresponding period last year, mainly due to the internal conversion of Jinan properties for the Company's own use, coupled with a reduction in rental expenses.

During the Reporting Period, other gains and losses amounted to a loss of RMB3,390,000 (2024: a loss of RMB850,000).

### (5) Investment income from associate and joint venture

During the Reporting Period, investment income from an associate amounted to RMB12,522,000 (2024: RMB11,442,000), representing an increase of 9.4% as compared with the corresponding period last year. During the Reporting Period, investment income from a joint venture amounted to RMB3,903,000 (2024: RMB306,000), representing an increase of RMB3,597,000 as compared with the corresponding period last year.

### (6) Profit before tax

During the Reporting Period, the Company recorded profit before tax of RMB216,926,000 (2024: RMB480,391,000), representing a decrease of 54.8% as compared with the corresponding period last year, mainly due to: 1) faced with intense market competition, the operating profit of the management software segment decreased to RMB256,278,000 (2024: RMB430,948,000), representing a decrease of 40.5% as compared with the corresponding period last year; 2) the changes in fair value of investment properties for the current period amounted to RMB100,313,000 (2024: RMB42,230,000), representing an increase of 137.5% as compared with the corresponding period last year.

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

During the Reporting Period, profit attributable to owners of the Company amounted to RMB237,546,000 (2024: RMB384,705,000). The decrease in profit attributable to owners of the Company as compared with last year was mainly due to the decline in operating profit of the management software business segment as compared with the corresponding period last year.

Basic earnings per share were RMB20.59 cents (2024: RMB33.69 cents) and diluted earnings per share were RMB20.46 cents (2024: RMB33.68 cents).

## MANAGEMENT DISCUSSION AND ANALYSIS



### (8) Non-HKFRS Accounting Standards Measure

For the purpose of assessing the performance of the Group, the Company has also presented the underlying profit attributable to shareholders of the Company as an additional financial measure that is not required by, or presented in accordance with HKFRS Accounting Standards. The Group believes that this non-HKFRS Accounting Standards measure better reflects its underlying operational performance by eliminating certain non-operating items that are considered indicative of its operational performance. However, the presentation of this non-HKFRS Accounting Standards measure is not intended to be a substitute for, or superior to, the financial information prepared and presented in accordance with HKFRS Accounting Standards.

The following table set forth the reconciliations of the Group's non-HKFRS Accounting Standards measure for the years ended 31 December 2025 and 2024 to the nearest measures prepared in accordance with HKFRS Accounting Standards.

	2025 RMB'000	2024 RMB'000
Profit attributable to owners of the Company	237,546	384,705
Changes in fair value of investment properties	100,313	42,230
Effect on Option Amortisation	14,594	22,348
Effect on corresponding income tax and deferred tax	(51,081)	(6,334)*
Adjusted profit attributable to owners of the Company	<u>301,372</u>	<u>442,949*</u>

\* Following a review of the relevant financial data, it has been determined that there were calculation discrepancies in the "Final Results Announcement for the Year Ended 31 December 2025", issued on 30 March 2026, regarding the impact of income tax and deferred tax for 2024 and the adjusted profit attributable to the owners of the Company. The announcement is hereby issued to correct these discrepancies.

### (9) Financial resources and liquidity

As at 31 December 2025, equity attributable to owners of the Company amounted to RMB3,167,877,000 (31 December 2024: RMB2,512,231,000). Current assets amounted to RMB6,993,035,000, mainly comprising trade and bills receivable of RMB2,756,448,000, bank deposits and cash balances and pledged bank deposits of RMB1,323,476,000, which were primarily RMB deposits. Current liabilities amounted to RMB5,374,882,000, mainly including trade and bills payable, other payables and accrued expenses. The Group's current assets were approximately 1.30 times its current liabilities (31 December 2024: 1.20 times).

### FOREIGN EXCHANGE RISK

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

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

### CAPITAL STRUCTURE

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEE INFORMATION

As of 31 December 2025, the Group had 7,974 employees. During the Reporting Period, total remuneration of employees under operating activities (including Directors' remuneration and mandatory provident fund contributions) amounted to approximately RMB2,115,780,000.

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

## CHARGE ON ASSETS

As at 31 December 2025, the Group's bank deposits of approximately RMB65,489,000 (31 December 2024: approximately RMB99,291,000) were pledged.

## BUSINESS REVIEW

During the Reporting Period, the Group adhered to the "AI First" strategy, fully embraced artificial intelligence large model technologies, and focused on the enterprise services sector. It continued to develop the Inspur Haiyue large model and full-stack tool services, built AI-native Inspur Haiyue enterprise software, launched the out-of-the-box intelligent agent cluster Inspur Haiyue Commercial AI, and implemented high-value intelligent application scenarios, providing customers with leading AI solutions to help enterprises achieve a leap in digital and intelligent transformation.

The Group adheres to innovation-driven development and seizes the strategic opportunities arising from technological revolution, industrial transformation and enterprise software ecosystem restructuring. Supported by products such as intelligent ERP, PaaS platform, industrial software and Haiyue large model, it assists enterprises in the digital transformation of their entire businesses from the two dimensions of management digitalization and production digitalization.

During the Reporting Period, the Group continued to deepen its presence in the central and state-owned enterprise market, achieving new breakthroughs with central enterprises including China Southern Power Grid, SDIC, China Resources Group, China MINRESOURCE, China Electrical Equipment and China Digital Logistics. It continued to serve large central and state-owned enterprises such as Energy China, Aluminum Corporation of China, China Tower, China National Building Material Group, China Datang, China Rare Earth, Sinopharm Group, PipeChina and China Southern Airlines. To date, it has provided digital and intelligent transformation services to large customers including 94 central enterprises, 210 China Top 500 enterprises.

# MANAGEMENT DISCUSSION AND ANALYSIS



## 1. Accelerated Implementation of the AI First Strategy and Iterative Upgrade of the AI Native Product Ecosystem

During the Reporting Period, the Group thoroughly implemented the “AI First” strategy and continuously conducted cutting-edge technological research in the AI field, achieving breakthroughs in new technologies including “model fusion technology for vertical domain multi-tasking and efficient inference”, “intelligent question answering integrating knowledge graph with chain-of-thought” and “low-computation multi-modal human-machine interaction technology”. It deepened the transformation of technological achievements, took AI-native as the main line, integrated AI technologies into all products, and continuously built a new-generation intelligent native product layout of “Haiyue Large Model + Haiyue Software + Haiyue Commercial AI”, driving the iterative upgrade of the product system comprehensively with AI technologies. During the Reporting Period, the contract value of AI signed amounted to approximately RMB660 million.

During the Reporting Period, the Group launched Haiyue Large Model V3.0. Leveraging its scenario insight capabilities and enterprise-level data assets accumulated through years of in-depth industry engagement, the model achieved deep adaptation of AI large models to enterprise business logic and precise perception of industry-specific semantics, facilitating the implementation of artificial intelligence in enterprise-level application scenarios. Among them, in enterprise knowledge governance and efficient retrieval scenarios, “Tax Doctor”, developed for a large construction enterprise based on the Haiyue Large Model, established an enterprise-specific tax knowledge base, with industry-leading response speed and accuracy in the question-and-answer process. In the chemical industry, the salt chemical intelligent control large model developed for Shandong Haihua Group based on the Haiyue Large Model carried out intelligent transformation of workshop production, equipment maintenance, operation management and other links, achieving efficiency improvements in product output, spare parts turnover rate, equipment maintenance cost and other aspects. Meanwhile, the Haiyue Large Model comprehensively upgraded its intelligent platform capabilities, significantly improving the development efficiency of intelligent agents, supporting the large-scale construction and operation of the Company’s intelligent agents, and enabling minute-level customisation of multi-agent scenarios such as “AI + Human Resources”. The Haiyue Large Model is the first large model in the domestic enterprise service vertical field to complete the “dual filing” of model and algorithm, ranking first in both market position and development capability of large models in China’s enterprise service vertical field (CCID). The chemical version of the Haiyue Large Model topped the internationally renowned ChemBench ranking, and was awarded as an excellent supplier of China’s industrial large model, chemical large model, construction large model and water conservancy large model (IDC). To date, it has been implemented and applied in large enterprises including Beijing Tongrentang and China Tungsten High-tech.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group launched Haiyue Commercial AI V1.0, an out-of-the-box intelligent agent cluster built on the Haiyue Large Model, offering more than 100 intelligent agents including procurement intelligent agent and contract review intelligent agent, covering 63 scenarios such as ChatBI, intelligent review, intelligent scheduling and cash flow forecasting. Among them, through multi-agent collaboration and task orchestration including conversational form filling and intelligent itinerary planning, full-link automated and unobtrusive processing of business travel was realised. Intelligent assisted bid evaluation was conducted through the procurement intelligent agent, reducing the review time per project from 3-6 hours to 15 minutes. The digital employee + AI intelligent review collaborative application developed for Dongfang Electric achieved an overall 70% improvement in work efficiency in general ledger, sales, procurement, capital and other fields. For an international engineering enterprise with 140,000 contracts, the application of the contract review intelligent agent realised a 90% risk identification rate in settlement, margin, construction period and other aspects, and a 60% improvement in cross-border contract processing efficiency. Haiyue Commercial AI received the First Prize of Shandong Artificial Intelligence Science and Technology Progress Award, the Silver Award of China International Software Expo, and was recognised as a typical demonstration case in the software industry by the China Software Industry Association. It was also selected as an excellent supplier of China enterprise-level AI Agent (IDC). The Haiyue contract review intelligent agent was rated as a highly recommended enterprise-level AI Agent application (IDC), and the Group was rated as a recommended brand of China enterprise-level intelligent agent development platform (IDC). It has been implemented and applied in customers including the State-owned Assets Supervision and Administration Commission of Shandong Province, Dongfang Electric and Shanxi Guoyun.

During the Reporting Period, the Group actively responded to policies of the State-owned Assets Supervision and Administration Commission including deepening the "AI+" special action and strengthening penetrating supervision of state-owned assets, and launched Penetrating Supervision V1.0. Targeting the enterprise supervision sector, Penetrating Supervision V1.0 is pre-installed with 81 supervision models, covering the entire chain of enterprises from macro strategic risks to specific operational risks. Focusing on 11 major categories of issues such as excessive debt, unrelated diversification, multi-layered structure and fictitious trade, it has built a "full-level, full-process, full-factor" penetrating supervision system for enterprise business empowered by AI. It is currently being implemented in a number of central enterprises.

## MANAGEMENT DISCUSSION AND ANALYSIS



### 2. Continuous Deepening of Cloud Service Transformation and Comprehensive Empowerment for Digital and Intelligent Upgrading of Customers

During the Reporting Period, the cloud services business recorded revenue of RMB2,739,535,000, representing a year-on-year decrease of 0.8% (corresponding period of 2024: RMB2,761,458,000).

During the Reporting Period, targeting the large enterprise market and focusing on core enterprise demands such as intelligent ERP, group control, talent management and data governance, the Group launched Inspur Haiyue PaaS Platform iGIX V8.0, large enterprise intelligent ERP GS Cloud V8.0, and Inspur Haiyue HCM V7.0, providing enterprises with comprehensive cloud services to empower the digital and intelligent upgrade of enterprise operation and management.

During the Reporting Period, the Group launched Inspur Haiyue PaaS Platform iGIX V8.0, which takes the Haiyue Large Model as its intelligent hub and is driven by AI-native and cloud-native technologies. It has achieved breakthroughs in 17 core PaaS platform technologies including low-code/no-code integrated fusion development technology and intelligent process deduction and autonomous verification technology, forming a PaaS platform product system encompassing sub-platforms such as low-code, data middle office, Internet of Things, cloud-native, hybrid integration and intelligent operation and maintenance. The Group developed more than 10 intelligent applications and services including ChatBI (conversational data decision analysis), intelligent application assistant and intelligent development assistant, providing convenient enterprise intelligent services and robust technical infrastructure support capabilities for enterprise service sectors including finance, treasury, supply chain and software development, so as to support enterprises in their intelligent transformation and upgrading. Inspur Haiyue PaaS Platform ranks first in China's low-code software market (IDC) and first in both market position and development capability in China's aPaaS market (CCID), and has won honors including the 2025 Red Dot International Design Award (Design Zentrum Nordrhein Westfalen). During the Reporting Period, the Group signed contracts with large group customers including China Datang Corporation, Guohua Energy and Yunnan Tin Industry.

During the Reporting Period, the Group launched Inspur Haiyue Large Enterprise Intelligent ERP GS Cloud V8.0, which reconstructed the software based on an AI-native architecture, established an artificial intelligence hub, integrated multiple models to form composite AI capabilities, and built a digital and intelligent financial platform covering treasury management, financial sharing, strategic finance, business finance and other fields. It strengthened the core ERP, realised a comprehensive upgrade of the MRP computing engine, enhanced the coverage depth in industry scenarios such as discrete manufacturing and process manufacturing, and improved the level of refined cost control for integrated business and finance. It built an international technical infrastructure supporting multiple accounting standards, multi-currency settlement, multi-language switching and intelligent translation, supporting the global management and integrated operation of customers such as Tongrentang and XCMG Group. The product has ranked first in China's group management software market for 16 consecutive years (CCID), won the Second Prize of Science and Technology Progress of the Chinese Institute of Electronics and New Generation Information Technology Innovative Product (CCID), and passed the scientific and technological achievement evaluation by the National Industrial Information Security Development Research Center, being recognised as reaching the international advanced level. During the Reporting Period, the Group signed contracts with customers including Beijing Tourism Group, Shandong Gold, Henan Communications Investment Group, Shanxi Communications Control Group, Ningxia Construction Investment Group, Tianjin Pharmaceutical, Zhengzhou Coal & Electricity, Kunming Iron and Steel Holding and Huanchuan State-owned Investment Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group launched Inspur Haiyue HCM V7.0 and introduced Moirai, a new-generation human resource agent, which reconstructed the interaction mode and operation logic of traditional human resource systems through the integration of large language models, process orchestration engines, semantic search, knowledge graphs and digital employee invocation capabilities, realized the intellectualization of core human resource management scenarios such as recruitment, employment and performance management, and formed an agent matrix covering the entire talent lifecycle. Inspur Haiyue HCM was awarded the 2024-2025 Human Resource Technology Best Product Award and the New Generation Information Technology Innovative Product Award, and ranked among the TOP 3 in China's human capital application market (IDC). During the Reporting Period, the Group signed contracts with customers including State Power Investment Corporation and China Pacific Insurance, achieved new breakthroughs with strategic customers such as China Southern Airlines, China Chengtong and Shaanxi Nonferrous Metals, with the total number of contracted customers reaching 170.

During the Reporting Period, the Group launched Inspur Haiyue Intelligent Online Supervision Platform for State-owned Assets V8.0. Through in-depth integration of AI technologies, it implemented penetrating supervision models in ten major areas including investment, finance, remuneration, procurement and supply chain, and contracts, driving a leapfrog development of state-owned assets supervision from "manual-led" to "intelligent collaboration". It realised proactive identification of potential risks and automatic generation of dynamic supervision reports, significantly enhancing the predictability and accuracy of supervision. Among them, the financial supervision risk control algorithm model can automatically optimise early warning thresholds through deep learning, improving the early warning accuracy by more than 30% compared with traditional fixed rule models. During the Reporting Period, the Group newly signed contracts with the state-owned assets supervision and administration commissions of Guizhou Province, Liaoning Province, Inner Mongolia Autonomous Region and Suzhou City. It has cumulatively served the construction of state-owned assets supervision platforms for 23 provincial-level state-owned assets supervision and administration commissions, 80 prefecture-level state-owned assets supervision and administration commissions and more than 30 central enterprises, ranking first in the state-owned assets supervision market in terms of market share.

During the Reporting Period, the Group launched Inspur Haiyue inSuite Professional Edition V5.0 for medium-sized enterprises, Inspur Haiyue inSuite by DELMIAWorks for growth-oriented enterprises with strong manufacturing and high complexity, and Inspur Haiyue inSuite ONE V1.0 for small enterprises. The Inspur Haiyue inSuite product series deeply integrates AI capabilities and launches a number of business agents capable of independent decision-making and real-time optimization, which are deeply embedded in core enterprise scenarios and fully support the digital and intelligent transformation needs of small and medium-sized enterprises in R&D and design, production execution, operation and management, operation and maintenance services and other aspects, and was awarded the 2024-2025 Excellent Innovative Software Product by the China Electronic Information Industry Federation. During the Reporting Period, for micro and small enterprises, Inspur Ecloud launched Cloud Business-Finance V6.0 and introduced "Yun Xiaoyi", an AI intelligent assistant, which provides core scenario services such as intelligent procurement, financial report interpretation and intelligent Q&A, covering diverse needs including enterprise operation analysis, decision-making suggestions and risk early warning; the Group realized platform ecosystem expansion, maintained long-term and stable cooperation with strategic customers including Bank of Communications and Postal Savings Bank of China, and reached in-depth cooperation with platforms such as DingTalk, Feishu and WPS, continuously strengthening the product's market coverage and customer acquisition capabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS



### 3. Focus on core customers of management software and continuously strengthen the leading industry advantages

During the Reporting Period, the management software business recorded revenue of RMB2,236,424,000, representing a decrease of 12.5% as compared with the corresponding period last year (corresponding period of 2024: RMB2,556,116,000).

During the Reporting Period, focusing on the network management software and private network digital intelligence services businesses, the Group continued to promote product R&D and innovation and enhance service capabilities. Targeting emerging network sectors such as global operator networks and low-altitude communications, it developed a series of industry-leading products and solutions, and continuously consolidated and improved the technological competitiveness of its management software. Among them, the Group launched the Operator Intelligent Chain Scheduling Platform, which addressed core pain points long existing in the communications industry supply chain including difficulties in massive data governance and low digital intelligence levels, and drove the full-link upgrade of the supply chain through technological innovation. It released the Command and Dispatch Virtual Assistant, which resolved issues such as low scheduling efficiency, high reliance on decision-making experience and high labour costs in view of the insufficient automation level in operator command and dispatch scenarios, and was recognised as having reached the “international advanced level” by the Shandong Software Industry Association. The Group launched the Low-altitude Intelligent Network Integrated Operation Service Platform v2.0, which provides professional technical product services for low-altitude applications and was selected as a typical case of the Low-altitude Economy Leader by the China Academy of Information and Communications Technology. During the Reporting Period, the Group’s communications information business won the Diamond Medal, the highest honour in the TM Forum Open API field, ranking third globally. It was selected into the Gartner Magic Quadrant, becoming one of the world’s leading 12 BSS solution providers. Products including the “Inspur Low-altitude Intelligent Network Integrated Operation Service Platform” and “Inspur Intelligent Planning Platform” were included in the 9th batch of Shandong Provincial First-time High-end Software List. During the Reporting Period, while deeply serving operator customers, the Group actively expanded into other markets, with 261 new customers signed, covering governments, central and state-owned enterprises, large private enterprises and overseas customers.

During the Reporting Period, anchoring the core sector of software and information technology service outsourcing, the Group thoroughly implemented the innovation-driven development strategy and participated in the formulation of the national standard “Automation Systems and Integration – Digital Twin Framework for Manufacturing” for the first time. Adhering to a customer-centric approach, the Group successfully signed contracts with central and state-owned enterprise customers including COFCO Corporation, Aluminum Corporation of China, China Energy Engineering Group, China General Technology Group, Shandong Heavy Industry and Zhongtai Securities, and reached in-depth cooperation with a number of strategic customers such as Haier Group and Aspire Information.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Deep integration of Internet of Things solutions to seize the commanding heights of intelligent computing centre business growth

During the Reporting Period, the Internet of Things solutions business recorded revenue of RMB2,332,055,000, representing a year-on-year decrease of 19.1% (corresponding period of 2024: RMB2,883,231,000).

During the Reporting Period, focusing on serving the new-type information infrastructure as the core, the Group deployed the entire industrial chain around the data center business, providing services including planning and design, engineering construction, operation and maintenance for data centers, as well as electromechanical products such as high-efficiency power distribution and intelligent management and control for the whole industry. Over the years, it has constructed more than 50 Class A and national green data centers, with projects covering 85% of provinces nationwide, and customers covering government, finance, transportation and other industries, having built project cases including Dongying Intelligent Computing Center, Postal Savings Bank of China Headquarter Data Center and Guangdong Communications Group Transportation Big Data Center. During the Reporting Period, the Group launched a series of industry-leading products, including: Yaotai prefabricated modular data center high-efficiency elastic liquid cooling source product, which integrates prefabricated modular architecture and liquid cooling core technologies to build an industry-leading liquid cooling source construction model, providing green and energy-saving computing infrastructure solutions for high-density scenarios such as ultra-large-scale intelligent computing centers and AI training clusters; dynamic dual-cooling source prefabricated data center product, which addresses core problems in traditional data center cooling products such as low utilization of natural cooling capacity, poor heat exchange efficiency and long construction and deployment cycle through intelligent regulation of dynamic dual-cooling sources and prefabricated integrated innovation. The Group won the "Golden Scale Award · Intelligent Cooling Pioneer Award for Data Centers" at the 2025 Global Data Center Liquid Cooling Innovation Development and Application Technology Conference. The "Air-liquid Homologous Elastic Liquid Cooling Prefabricated Modular Data Center" received the "2025 China IDC Industry Innovative Technology Product Award". During the Reporting Period, the Group newly signed contracts with strategic customers including Shandong Tianrui Heavy Industry and Jiangsu Shifang Communication.

During the Reporting Period, focusing on scenarios such as large-scale equipment manufacturing, discrete manufacturing and process manufacturing, the Group built a full-stack service system of "equipment-production line-factory-industry" and formed professional overall solutions covering the full value chain including intelligent factories, intelligent warehousing and logistics, safety management and equipment management, fully supporting the in-depth development of intelligent factories. During the Reporting Period, the Group built national intelligent manufacturing demonstration factory benchmark cases including Tianjin Tebian and Xikai Limited, establishing a "replicable model" for intelligent factories in the discrete manufacturing sector, further consolidating its leading position in intelligent manufacturing solutions and ranking first in market share of MES solutions for China's equipment manufacturing industry (IDC). During the Reporting Period, targeting the grain industry and focusing on core business scenarios such as industry supervision, intelligent operation, warehousing and preservation, and safe production, the Group reconstructed the AI-native product system in the grain storage sector based on the Haiyue Large Model, and launched a cluster of intelligent agents for grain storage operation and management including warehousing and preservation intelligent agent, equipment predictive maintenance intelligent agent, and material and emergency dispatch intelligent agent, empowering 22 intelligent grain storage scenarios and achieving a leapfrog upgrade from "Internet of Things automation" to "business scenario intelligence", continuously enabling the digital and intelligent transformation of the "national granary". During the Reporting Period, the Group newly signed contracts with key customers including Sinograin Wuhu Depot Co., Ltd., Sinograin Laobian Depot Co., Ltd. and Sinograin Tongling Warehousing Co., Ltd.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group achieved remarkable results in expanding overseas markets. The Algeria Medical Data Center and Informatization Project commenced construction, becoming the first data center and intelligent project to be implemented in Northwest Africa. The Group won the bid for the South Africa Sentech OSS project and launched its delivery, achieving full coverage of OSS products among the three major state-owned operators in South Africa and further consolidating its leading position in the field of communications operation support in Southern Africa. It won the bid and commenced construction under the EPC general contract for the expansion project of Thailand Supernap Data Center, marking a major breakthrough in the general contracting sector of high-end data centers in Southeast Asia, particularly in Thailand. The Group successfully signed the Indonesia Damac JK01 Data Center project, achieving a new breakthrough in the Indonesian data center market and laying a solid foundation for the subsequent expansion of Indonesia and surrounding markets.

### FUTURE OUTLOOK

In 2026, the Group will adhere to the “AI First” strategy. Focusing on the enterprise services sector and taking AI-native as the main thread, it will focus on developing management software, industrial software and platform-enabling software, serving the full-business digital and intelligent transformation of enterprises from the two dimensions of management digitalisation and production digitalisation, and accelerating its progress towards becoming a world-leading provider of enterprise software and enterprise AI product technologies and services, as well as a leading service provider for enterprise digital and intelligent transformation.



# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## DIRECTORS

**Mr. Zhao Zhen**, aged 51, 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 resigned as the Chairman of the Board of Directors of the Company with effect from 9 January 2026.

**Mr. Wei Daisen**, aged 54, holds a Master's degree in software engineering from Shandong University\* (山東大學) and is a Taishan Industry Leading Talent\* (泰山產業領軍人才). Mr. Wei is a committee member of the Technical Committee on National Accounting Information Standardization of the Finance Department\* (財政部全國會計信息化標準技術委員會委員) and the Deputy Principal of the Intelligent Finance Professional Committee of the China Chief Accountants Association\* (中國總會計師協會智能財務專業委員會副主任委員). Mr. Wei has been serving as the general manager of the Company from September 2021. Mr. Wei also concurrently serves as the director of certain members of the Group, including the chairman of the board of directors of Inspur Genersoft Co., Ltd.\* (浪潮通用軟件有限公司), a wholly-owned subsidiary of the Company. Previously, Mr. Wei also served as the manager, deputy general manager and general manager of the GS product department of Inspur Genersoft Co., Ltd. and deputy general manager of the Company. Mr. Wei has been serving as the Chairman of the Board of Directors of our Company since 9 January 2026.

**Mr. Cui Hongzhi**, aged 51, 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 Communications 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 Communications Information System Co., Ltd.\* (浪潮通信信息系統有限公司).

**Mr. Wang Yusen**, aged 42, is an Executive Director and Chief Financial Officer, senior accountant. Mr. Wang graduated from Shandong University 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.

**Ms. Li Chunxiang**, aged 49, 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 67, 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 64, 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 64, 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. Zhang Jinlong**, aged 43, holds a Bachelor's degree in Management from Chengdu University of Technology. He has 20 years of experience in marketing, sales, and management in the enterprise management software industry. Mr. Zhang joined Inspur Group Limited\* (浪潮集團有限公司) and its subsidiaries in 2006 and has since served as deputy General Manager of the Company, and Chairman of Shandong Inspur Intelligent Manufacturing Technology Co., Ltd.\* (山東浪潮智能生產技術有限公司), a subsidiary of the Inspur Group. Mr. Zhang was appointed General Manager with effect from 9 January 2026.

**Ms. Chan Wing**, aged 55, company secretary of the Company. Ms. Chan 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. Zou Bo**, aged 47, 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 2025.

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 C1 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 2025.

## 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.

## CORPORATE GOVERNANCE REPORT



### 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. Wei Daisen (Chairman of the Board)\*<sup>1</sup>

Mr. Zhao Zhen (Chairman of the Board)\*<sup>1</sup>

Mr. Wang Yusen

Mr. Cui Hongzhi

\*<sup>1</sup> Mr. Zhao Zhen resigned as executive director (Chairman of the Board) on Jan 9, 2026 and Mr. Wei Daisen was appointed as executive director (Chairman of the Board) on Jan 9, 2026.

#### *Non-executive Director*

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. Wei Daisen, Mr. Cui Hongzhi and Ms. Li Chunxiang shall be retired by rotation and be eligible for re-election.

# CORPORATE GOVERNANCE REPORT

## III. Board Meeting/General Meeting

For the year ended 31 December 2025, the Company convened seven Board meetings and two General Meeting. The following table shows the details of Directors' attendance:

Directors	Attendance/number of Meetings	
	Board Meetings	General Meeting
Zhao Zhen	5/7	2/2
Wang Yusen	7/7	2/2
Cui Hongzhi	6/7	2/2
Li Chunxiang	7/7	2/2
Wong Lit Chor, Alexis	7/7	2/2
Zhang Ruijun	7/7	2/2
Ding Xiangqian	7/7	2/2

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.

During the Board meetings held in the year ended 31 December 2025, the Directors principally dealt with the following matters of the Company, including the review and approval of the 2024 annual report and the 2025 interim report, share placement, grant of share options and other significant matters. The secretary of the Board has recorded the proceedings of each Board meeting by keeping detailed minutes, including all decisions made by the Board together with concerns raised and dissenting views expressed (if any) by the Directors. All minutes are kept by the secretariat of the Board and any relevant files including the agenda, documents and minutes are open for any Directors' inspection.

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

## CORPORATE GOVERNANCE REPORT



### 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 2025:

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

- (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.



# CORPORATE GOVERNANCE REPORT

## 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 2025, 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; and
- (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;

## CORPORATE GOVERNANCE REPORT



- (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.

# CORPORATE GOVERNANCE REPORT

During the financial year ended 31 December 2025, the Audit Committee held two meetings, at which the Audit Committee:

- (1) considered the Company's annual financial report and internal control report for the year 2024, and submitted them to the Board for approval;
- (2) considered the Company's interim financial report of 2025, and submitted it to the Board for approval.

Details of attendance at the Audit Committee meetings during year 2025 are set out below:

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

## REMUNERATION COMMITTEE

As at 31 December 2025, the remuneration committee of the Company comprised one non-executive Director, namely Ms. Li Chunxiang 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; and
- (6) other matters authorized by the Board.

For details on the roles and functions of the Remuneration Committee, please refer to the terms of reference and operation model of the Remuneration Committee published on the Stock Exchange of Hong Kong Limited and the Company's websites.

The Remuneration Committee held one meeting in total during the financial year ended 31 December 2025 to discuss the grant of share options pursuant to the Company's share option scheme.

## CORPORATE GOVERNANCE REPORT



Details of attendance at the Remuneration Committee meetings during year 2025 are set out below:

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

## NOMINATION COMMITTEE

As at 31 December 2025, the Nominations Committee of the Company 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.

During the financial year ended 31 December 2025, the Nomination Committee held one meeting to discuss the rotation of directors.

Details of attendance at the Nomination Committee meetings during the year 2025 are set out below:

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



# CORPORATE GOVERNANCE REPORT

## 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. Wei Daisen and Mr. Zhang Jinlong 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 C3 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 2025.

## 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 meeting documents and relevant materials. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

## CORPORATE GOVERNANCE REPORT



### 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.

# CORPORATE GOVERNANCE REPORT

## 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 2025.

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	2,120

## 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](http://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.

# CORPORATE GOVERNANCE REPORT



## 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 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. Circular of the annual general meeting and related documents are sent to shareholders at least 20 business days before the meeting.

## VOTING BY POLL

At the 2025 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.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL MONITORING

The Board of directors believes that sound corporate governance is the cornerstone of company's long-term development, with robust risk management and internal control systems being essential elements thereof. The Board of directors is responsible for ensuring the establishment and maintenance of appropriate and effective risk management and internal control systems to safeguard shareholders' interests. During the year, the company continued to engage external consultants to optimize the risk management system, thereby enhancing its corporate governance standards.

### RISK MANAGEMENT FRAMEWORK

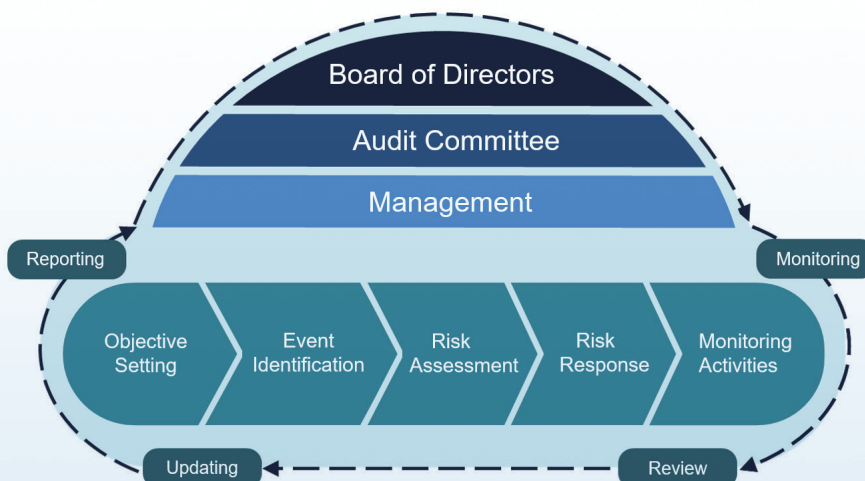
The Company's risk management framework is structured upon the "Three Lines of Defense" model, comprising day-to-day operations and monitoring, Ongoing risk management activities and independent review of internal control. The primary internal control procedures of all operating units are implemented through a series of policies and procedures that provide clear guidance to each unit, incorporating elements of governance, risk management, and compliance. The Company regularly reviews and updates these policies and procedures, supplemented by employee training programs to ensure their ongoing 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

The Company's risk management system is structured in alignment with globally recognized frameworks, including COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission) Integrated Framework and ISO 31000. The Company's risk management system comprises objective setting, risk identification, risk assessment, risk response, and risk monitoring. The processes of risk identification and assessment integrate both top-down and bottom-up approaches to provide a comprehensive analysis encompassing both management and operational perspectives. In addition, the system is not a stand-alone one but embedded within existing internal control mechanisms, ensuring synergy with governance processes. Regular management discussions across various business units facilitate dynamic adaptation to environmental changes and emerging market risks. The risk management and internal control system is designed to manage and mitigate the impact of material risks rather than eliminate all risks.

The risk management system comprised the following elements:



## CORPORATE GOVERNANCE REPORT



The Company employs risk registers, risk assessment questionnaires, and workshops to facilitate risk identification, analysis, and evaluation across financial, operational, compliance, and environmental domains. These tools assess the probability and impact of each risk item, with regular reviews to validate the adequacy and effectiveness of existing mitigation measures and monitoring activities. During the year, in compliance with Appendix C2 of the Listing Rules, the company conducted a thematic questionnaire assessment and review of its Environmental, Social, and Governance (ESG) risks and related control systems. Risks identified by individual departments were analyzed and consolidated by consulting firm, resulting in a refined list of key risks, risk trends, and monitoring procedures. These outputs were deliberated and approved by senior management before being reported to the Audit Committee.

The Company has clearly defined the responsibilities and functions of the Board of Directors, management, operating units and internal audit. The Board of Directors has appointed an Audit Committee to provide ongoing oversight of the effectiveness of the Company's risk management and internal control systems. The Audit Committee reviews and discusses reports submitted by management, deliberates on and approves the nature and extent of risks the company is willing to accept in achieving its strategic objectives, examines whether current monitoring and risk management systems are adequate and effective, and considers whether further improvements are required. Management ensures sufficient resources are allocated to support the implementation of decisions made by the Board of Directors and Audit Committee and provides assurance to the Board regarding the effectiveness of risk management and internal control systems. Throughout the year, the risk management and internal control activities have been completed. Both the Board of Directors and management have confirmed the effectiveness of these systems in terms of design, implementation and monitoring.

### INTERNAL CONTROL

The Internal Audit Department conducts independent reviews and evaluations of the monitoring and oversight procedures for the company's key risks annually, in accordance with the annual audit plan approved by the Audit Committee. The department regularly reports its findings and improvement recommendations to the Audit Committee.

### REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board of Directors, through the Audit Committee, receives confirmation from management regarding the effectiveness of the design, implementation, and monitoring of the company's risk management and internal control systems. Like all such systems, the framework adopted by the company can only provide reasonable, but not absolute, assurance against material misstatements or losses. The Company remains committed to maintaining a sound and effective risk management and internal control system to achieve its long-term strategic objectives.

# CORPORATE GOVERNANCE REPORT

## KEY RISKS OF THE COMPANY AND THEIR CHANGES

During the year, the Company identified and assessed various risk items, evaluating the effectiveness of their monitoring and oversight mechanisms across 10 categories. These are detailed in the table below:

Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Finance, Economy and Politics	Impact of Mainland China and Hong Kong's economic, financial, and political environment changes on corporate financial performance	<ul style="list-style-type: none"> <li>- Implement online sentiment monitoring and establish media communication protocols, including dedicated staff conducting regular inspections of mainstream social platforms, timely response and improvement mechanisms, institutionalization as standard practice and exclusion of political/pornographic sensitive content</li> <li>- Develop cash flow forecasts based on capital expenditure budgets and actively manage liquidity to meet debt obligations as scheduled</li> <li>- Conduct monthly financial statement reviews and strictly prepare vouchers in accordance with accounting policies</li> <li>- Regularly evaluate operational strategies, objectives and plans' effectiveness, forecast market trends, and adapt to macroeconomic changes</li> <li>- Maintain strong relationships with banks and regularly review banking financing terms and ensure that the group's financial condition remains in compliance with these terms</li> <li>- Identify and engage additional suppliers from different regions, negotiate fixed pricing for a set period, and enable all units to share a centralized supplier database</li> <li>- Strengthen the management of large project tenders by formalizing and improving process controls throughout the project lifecycle</li> <li>- Strengthen channel sales and management system development by leveraging sales channel diversity to increase marketing revenue</li> </ul>	Low	← →  Business uncertainties persist, effective risk management measures have been implemented to contain the impact, leaving the overall risk level unchanged

# CORPORATE GOVERNANCE REPORT



Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
		<ul style="list-style-type: none"> <li>- Enhance routine review processes and training programs</li> <li>- Identify malicious defamation issues, implement targeted preventive measures, establish incident response protocols, and continuously incorporate industry best practices</li> <li>- Reduce foreign currency transactions. When necessary, implement hedging strategies for forex transactions (e.g., borrowing/repaying foreign currency debt and buying/selling foreign currency assets to generate forex returns)</li> <li>- All sales account write-offs must be approved and supported by sufficient documentation</li> <li>- Maintain a professional team responsible for operational activities, market research, and competitor analysis, to develop strategic operational plans</li> <li>- When preparing interim and year-end reports, provide professional real estate valuers with a summary of current leases, potential leases, and capital expenditures to mitigate the risk of undervaluing real estate assets</li> <li>- Securities Department monitors portfolio market value and reports regularly to management</li> <li>- Establish a Company-wide Crisis Management Mechanism</li> <li>- Establish sales refund approval process</li> </ul>		

# CORPORATE GOVERNANCE REPORT

Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Human Capital	<p>Employees are regarded as the company's most valuable assets. Failure to effectively address health and safety concerns, or to provide competitive compensation packages, may result in the loss of key personnel, thereby adversely impacting the quality of products and services offered by the company</p>	<ul style="list-style-type: none"> <li>- Establish corporate employment policies to ensure compliance with all relevant legal requirements</li> <li>- Enhance staff cultivation mechanisms includes training programs, communication channels, team-building activities and career path planning</li> <li>- Implement comprehensive performance evaluation systems incorporating equity incentive mechanisms</li> <li>- Provide competitive compensation and benefits packages</li> <li>- Offer clear promotion pathways to facilitate professional growth</li> <li>- Focus on employee physical and mental well-being and implement a comprehensive health and safety management plan that includes measures such as regular workplace sanitization, periodic health check-ups, monitoring employee overtime, providing appropriate rest days, and offering employee insurance to mitigate risks related to employee health and productivity</li> <li>- Create a policy that provides employees with greater opportunities for growth and development</li> <li>- Strengthen personal safety protection and security training for discipline inspection staff</li> </ul>	Low	<p style="text-align: center;">← →</p> <p>The HR function has enhanced training programs and assessment systems to bolster succession planning, ensuring the overall employee risk level remains steady</p>

# CORPORATE GOVERNANCE REPORT



Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Customer & Product	The company is committed to delivering high-quality products and services to support customers' operational needs. Failure to fully understand customer requirements or mishandling customer inquiries/complaints may directly impact the company's revenue and long-term growth	<ul style="list-style-type: none"> <li>- Enhance customer requirements research, formally confirm evaluated needs in writing, and explicitly specify essential terms in contracts</li> <li>- Maintain close collaboration with the Project Management Department</li> <li>- Establish rigorous customer service protocols including post-service follow-ups, complaint resolution procedures, customer satisfaction surveys and service delivery standards</li> <li>- Develop clear and efficient customer complaint handling processes</li> <li>- Provide comprehensive service training programs such as one-on-one onboarding coaching and service personnel certification systems</li> <li>- to enhance staff competencies</li> <li>- Strengthen knowledge base administration and content enrichment</li> <li>- Intensify customer service awareness through increased service staffing, complaint validity assessments, systematic feedback analysis for product/service improvements</li> <li>- Conduct regular complaint resolution meetings to summarize best practices</li> <li>- Improve product quality through pre-delivery testing</li> <li>- Implement and enforce A/B role backup and job rotation systems</li> </ul>	Low	← →  Enhanced customization capabilities and service orientation have enabled the Company to satisfy client requirements while keeping risks stable

# CORPORATE GOVERNANCE REPORT

Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Supplier Performance	The lack of supplier performance management and engagement with underperforming suppliers may lead to damage to the company's reputation and financial losses	<ul style="list-style-type: none"> <li>- Enhance receiving management. Assign dedicated personnel to oversee the receiving process, ensuring strict adherence to the specifications outlined in the purchase order and contract. The responsible employee should sign off on the receiving document to confirm the accuracy of both quality and quantity</li> <li>- Establish supplier evaluation mechanism strengthening the review process for supplier qualifications and conduct annual performance evaluations. Continuously monitor supplier performance and identify single-source suppliers for focused identification and monitoring</li> <li>- Enhance the tendering mechanism and related tender policies to ensure that tender documents clearly define the product requirements for suppliers and consultants</li> <li>- Make payments to suppliers in stages according to the project implementation timeline, withholding payments until the work is completed satisfactorily</li> <li>- Strengthen supplier delivery capability training</li> <li>- Establish a qualified supplier/consultant registration process and implement a qualification pre-screening procedure for all suppliers, requiring the submission of relevant licenses and proof of quality standards</li> <li>- Continuously monitor supplier/consultant performance, establishing warning and blacklisting mechanisms for underperforming vendors, including maintaining a supplier blacklist</li> <li>- Enhance the tiered management system for delivery partners through scientific evaluation, with focused development of high-quality partners</li> <li>- All suppliers must provide work references for specific projects or products</li> <li>- Refine project process management for delivery partners to improve outsourcing efficiency and quality</li> </ul>	Low	← → Risks in cross-border procurement have risen, improvements in processes and the creation of a supplier database have kept the overall risk level unchanged

# CORPORATE GOVERNANCE REPORT



Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Laws and Regulations	Non-compliance with overseas local legal and regulatory requirements, or violations of newly implemented laws and regulations, may lead to reputational damage and financial losses for the company	<ul style="list-style-type: none"> <li>- Strictly implement corporate policies and procedures, including anti-corruption compliance systems, product R&amp;D management protocols and bidding and tendering processes</li> <li>- Enhance personal data authorization mechanisms by disclosing collection purposes/usage during onboarding and implementing compensated data usage frameworks</li> <li>- Strengthen internal audit inspections and control workflows</li> <li>- Maintain specialist teams versed in Hong Kong &amp; Mainland corporate/listing regulations. Engage qualified lawyers for critical document drafting/review and risk identification/mitigation during project delivery</li> <li>- Establish a project evaluation mechanism, with the client participating in the evaluation prior to the signing of the contract</li> <li>- Conduct regular training on regional/industry-specific regulations and employee conduct standards</li> <li>- Establish 'Temporary Staff Payroll Procedures' to monitor compliance with mandated working hour limits</li> <li>- Install file encryption systems on office computers</li> <li>- Acquire the latest policy information through various channels</li> <li>- Sign confidentiality agreements with vendors providing human resources consulting/outsource services</li> <li>- Organize training sessions with internal and external experts on regulations, ensuring employees stay informed and up to date on the latest regulatory changes</li> </ul>	Low	← →  Through rigorous implementation of management systems, refinement of internal compliance workflows, and ongoing staff training initiatives, the Company has ensured its overall risk level remains stable

# CORPORATE GOVERNANCE REPORT

Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Information Technology	System failures/errors or the company's failure to keep pace with the latest market technologies may erode customer confidence, undermine its leading position in relevant sectors, and ultimately jeopardize the sustainable development of its business	<ul style="list-style-type: none"> <li>- Continuously strengthen confidentiality awareness training and management controls by implementing rigorous employee confidentiality measures, including standardized corporate-issued computing devices and domain authentication requirements for system registry access</li> <li>- Conduct periodic inspections, updates, and maintenance for payroll systems, tax reporting software, and related computer systems</li> <li>- Ensure timely technical support availability from both vendors and internal IT team</li> <li>- Procure manufacturer-operated maintenance services to execute scheduled upgrade and maintenance activities</li> <li>- Standardize CRM system permission management protocols</li> <li>- Establish manual payroll calculation, salary register preparation, and approval workflows as emergency fallback procedures</li> <li>- Implement comprehensive disaster recovery plans and business continuity plans (CBCP)</li> <li>- Develop a business continuity plan (BCP)</li> <li>- Implement all established policies and procedures, including field implementation standards for projects, operational system usage protocols, security management regulations, and system inspection mechanisms</li> <li>- Regular document management reviews and optimizations</li> <li>- Comprehensive risk identification is performed for internal support systems, with corresponding preventive control enhancements</li> <li>- System vendors are required to conduct periodic recovery drills</li> </ul>	Low	← →  Information system management standards have been implemented, ensuring the overall risk level remains steady

# CORPORATE GOVERNANCE REPORT



Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
		<ul style="list-style-type: none"> <li>- Enhance system optimization and technical maintenance through regular inspections utilizing intrusion detection, encryption technologies, security protocols, access control mechanisms, and virus scanning to ensure timely fault identification and remediation</li> <li>- Establish service level commitments with system vendors through contractual agreements, including provisions for incident-related compensation claims</li> <li>- Establish comprehensive system security measures including 24/7 surveillance monitoring at all office access points and mandatory internal employee pre-registration of visitors via dedicated</li> <li>- Implement data classification with tiered access privileges. Critical documents shall be custodied by designated personnel and secured in locked filing cabinets</li> <li>- Execute controlled data migration, system upgrades, and backup procedures with regular backup recovery validation testing defined business continuity planning and progress tracking</li> <li>- Designate dedicated security officers for all large-scale projects to ensure system protection compliance</li> </ul>		

# CORPORATE GOVERNANCE REPORT

Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Operational Management	Inadequate operational monitoring measures across company departments have led to reputational and financial damages, including: unauthorized replication of company products, credit risk, underpriced contracts, insufficient project oversight, budgetary control deficiencies, contractual risks, and over-reliance on a single sales channel	<ul style="list-style-type: none"> <li>- Expand sales channels by enhancing IT capabilities to collect and analyze market intelligence, adjusting channel strategies accordingly. Conduct regular reviews and market surveys to evaluate the diversity of existing sales channels</li> <li>- Enhance sales management by establishing clear distributor selection guidelines; standardize sales payment processes with strict payment approval controls, implement expense verification logs to mitigate budget overrun risks; strengthen quarterly rolling forecasts to enable timely marketing strategy adjustments and ensure annual target achievement</li> <li>- Implement rigorous financial controls by collaborating with all departments to develop annual budgets for management approval; producing monthly financial statements comparing budgeted versus actual expenditures by line item for monitoring purposes; preparing and submitting timely product-specific financial statements and analyses to management</li> <li>- Establish product R&amp;D cost control policies by designating dedicated departments to monitor expense budgets, with flexible product pricing adjustments based on cost fluctuations and market conditions</li> <li>- Maintain ongoing cross-departmental communication to relay customer feedback, ensuring clear understanding of development objectives and execution plans</li> </ul>	Low	↓ Effectively implement control measures for business costs, product quality and other aspects, strengthen professional capacity building, and reduce risk levels.

# CORPORATE GOVERNANCE REPORT



Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
		<ul style="list-style-type: none"> <li>- Enhance audit capabilities. The tax planning function shall be centrally managed by the Finance Department's leadership. The Audit Department shall develop annual audit plans, including predefined audit tasks and required human resources, subject to prior management approval. Tax-specialized accountants with extensive experience shall be engaged for tax management and accounting operations. All departmental personnel shall possess professional expertise in auditing, compliance, and legal matters acquired from established accounting firms</li> <li>- Implement rigorous systems with continuous improvement includes standardized trademark design, brand positioning strategy, budget overrun early-warning mechanisms, quality management systems, employee expense reimbursement policies, post-sale customer visit protocols, bid evaluation and quotation review systems, intellectual property management regulations, and product quality testing procedures</li> <li>- Implement comprehensive workforce management measures including regulated overtime compensation and working hour tracking, automated clock-in/clock-out systems, and standardized travel expense reimbursement procedures</li> <li>- Develop short-term, medium-term, and long-term channel development strategies</li> </ul>		

# CORPORATE GOVERNANCE REPORT

Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
		<ul style="list-style-type: none"> <li>- Establish systematic monitoring procedures for implementing development objectives and execution plans, including developing action plans with completion deadlines for each department, requiring regular progress reporting, and incorporating the achievement of short-term development objectives and execution plans into departmental Key Performance Indicators (KPIs)</li> <li>- Strengthen product quality. In full compliance with corporate R&amp;D governance standards during product initiation. Continuous validation of requirement accuracy throughout development. Academic collaboration ensures design alignment with advanced theoretical frameworks. Rigorous pre-release testing confirms compliance with quality benchmarks, supported by documented evaluation results and formalized approval workflows</li> <li>- The Company maintains clear technical data confidentiality regulations, with periodic updates based on operational needs</li> <li>- Maintain close communication with clients by developing detailed demand research plans and executing them systematically. Conduct regular meetings with distributors/clients to collect improvement feedback. Establish project business/technical proposal review mechanisms with client participation</li> <li>- The procurement department closely monitors market trends</li> <li>- Benchmark competitor operational systems, collaborate with Operations and Platform/Tech departments to streamline supplier system requirements, and implement automated authorization/ deduction functionalities</li> </ul>		

# CORPORATE GOVERNANCE REPORT



Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Natural Disaster	Severe disasters such as fires, floods, and infectious disease outbreaks may disrupt daily operations, resulting in financial losses for the company	<ul style="list-style-type: none"> <li>- Establish corresponding prevention and control systems at the corporate level, including crisis management, personnel safety management, logistics management, etc.</li> <li>- Improve office area safety measures, such as creating smoke-free zones within office buildings, regularly inspecting and maintaining fire safety equipment and other emergency supplies (e.g., sandbags for flood prevention)</li> <li>- Regular disinfection of office areas</li> <li>- Organize regular emergency drills and training for employees, including fire drills, earthquake response, and other natural disaster scenarios</li> <li>- Purchase business interruption insurance</li> <li>- Monitor severe weather warnings, take timely preventive measures, and mitigate potential losses</li> <li>- Establish remote working models to ensure business continuity</li> <li>- Raise employee awareness of infectious disease safety, and regularly monitor employee health status</li> </ul>	Low	<p style="text-align: center;">← →</p> <p>Regular drills and staff training have strengthened organizational resilience, keeping natural disaster risks at a stable level</p>

# CORPORATE GOVERNANCE REPORT

Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Physical Asset	Operational risks related to the illegal theft, disclosure, and misappropriation of customer data, and risks associated with the theft of company inventory and cash	<ul style="list-style-type: none"> <li>- Enhance the company seal custody system with strict enforcement, assigning dedicated personnel for management and storing seals in a designated locked cabinet. Maintain usage records for all major seal applications</li> <li>- Strengthen inventory management by storing goods in locked warehouses managed by warehouse employees, with access recorded via a system. Conduct regular fixed asset inventories witnessed by the finance department</li> <li>- Conduct regular fixed asset inventories witnessed by the finance department</li> <li>- Install 24/7 CCTV surveillance at all office entry points</li> <li>- Strengthen cash management including reconcile cash inflows/outflows and conduct surprise cash counts</li> <li>- Require employees to use designated access cards for office entry/exit</li> <li>- Access to all office premises is controlled via electronic keypad locks, requiring biometric fingerprint scans or unique personal identification codes</li> <li>- Standardize visitor reception protocols with mandatory registration</li> <li>- Confidentiality agreements signed by all employees and non-compete clauses if applicable</li> <li>- Implement strict data management: standardize processes, archive critical files under designated personnel in locked cabinets</li> <li>- Enforce firewalls/unique passwords for all computers/databases with regular password updates</li> <li>- Establish standardized offboarding procedures</li> </ul>	Low	← → Effectively implement standardized fixed asset management to mitigate risks, risk level remains stable

# CORPORATE GOVERNANCE REPORT



Risk Category	Key Risks	Primary Monitoring & Risk Responses	Risk Level	Risk Variation <sup>1</sup>
Energy & Environment	Rising procurement costs due to climate change or national environmental policies; failure to effectively monitor pollution emissions from projects (e.g., noise, exhaust gases, e-waste), resulting in negative environmental impacts; and resource and energy consumption in daily operations	<ul style="list-style-type: none"> <li>- Enhance the regulatory framework by incorporating environmental elements into the training system, procurement system, internal management system, etc.</li> <li>- Group Legal and Compliance Department to monitor relevant environmental laws and regulations, ensuring all operations comply with legal requirements and proactively develop response measures</li> <li>- Make efficient use of resources, promote energy and water conservation, paperless office practices, and assign dedicated personnel for regular inspections</li> <li>- Strengthen waste management, monitor waste generation in real-time, and assign licensed suppliers for handling hazardous waste such as e-waste</li> <li>- Provide environmental law-related training for employees and suppliers</li> <li>- Integrate environmental factors into investment decisions</li> <li>- Conduct qualification assessments for suppliers, dynamically manage qualified suppliers, and establish legal requirements related to environmental protection and product safety</li> <li>- Regularly inspect and maintain office facilities</li> <li>- Refine environmental assessment criteria to reduce environmental risks and losses</li> <li>- Commit to the development of energy-saving technologies</li> <li>- Closely monitor advanced energy-saving and environmental protection technologies and products, and carry out energy-saving renovations</li> <li>- Conduct comprehensive self-assessments of business activities, identifying potential violations of environmental laws</li> </ul>	Low	← →  Due to the nature of the business, this risk remains stable

<sup>1</sup>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 2025.

## 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 2025, the five largest customers accounted for approximately 11.74% of the Group's total turnover. The five largest suppliers accounted for approximately 9.30% of the Group's total purchase amounts. In addition, the largest customer accounted for approximately 3.22% of the Group's total turnover while the largest supplier accounted for approximately 2.51% 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 0.25% and 0.03% respectively of the total sales and total purchases of the Group for the year ended 31 December 2025.

## SHARE CAPITAL

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

## PLACING OF NEW SHARES

On 14 November 2025 (after the trading hours of the Stock Exchange), China Industrial Securities International Brokerage Limited, as the placing agent (the "Placing Agent"), entered into a placing agreement (the "Placing Agreement") with the Company. Pursuant thereto and subject to the terms and conditions set out in the Placing Agreement, the Placing Agent agreed, as the agent of the Company, to use its best endeavours to procure not less than six placees (who themselves and whose ultimate beneficial owners shall be independent third parties) to subscribe for 67,634,000 Company shares (the "Placing Shares") at a placing price of HK\$7.30 per Placing Share. The Placing Shares will be allotted and issued under the general mandate granted to the directors at the annual general meeting of the Company held on 17 June 2025, with an aggregate nominal value of HK\$676,340.00.

The placing price of HK\$7.30 per Placing Share represents a discount of approximately 6.77% to (i) the closing price of HK\$7.83 per Share as quoted on the Stock Exchange on the last trading day; and a discount of approximately 9.85% to (ii) the average closing price of HK\$8.10 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the last trading day. The placing price is exclusive of any brokerage commission, trading fees, transaction levies and stamp duties.

The gross proceeds from the Placing will be approximately HK\$493.73 million, and the net proceeds (after deducting placing commission and other related expenses) will be approximately HK\$490.23 million, equivalent to a net price of approximately HK\$7.25 per Placing Share.

## DIRECTORS' REPORT

The proceeds from the Placing shall be used to supplement the long-term funds required for the Group's research and development investment in artificial intelligence, cloud, industrial software and other fields, business expansion and growth plan, as well as general working capital. As of 31 December 2025, the utilisation of the net proceeds is set out below:

Use of Proceeds	Planned Usage	Actual Usage for the Year Ended 31 December 2025	Unutilised Net Proceeds as at 31 December 2025	Intended Timetable for the Utilisation of Unutilised Proceeds
Long-term funds required for research and development investment in artificial intelligence, cloud, industrial software and other fields, business expansion and growth plan	Approximately HK\$343.16 million	0	Approximately HK\$343.16 million	It is expected to be fully utilised within the period ending 26 November 2027.
For administrative expenses, operating expenses, settlement of payables to suppliers and other daily expenditures	Approximately HK\$147.07 million	0	Approximately HK\$147.07 million	It is expected to be fully utilised within the period ending 26 November 2027.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss on page 65.

## FINAL DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK\$0.04 in respect of the year ended 31 December 2025 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 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

## PRE-EMPTIVE RIGHTS

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

## RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme are set out in note 41 to the consolidated financial statements.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 43 to the consolidated financial statements.



## DIRECTORS' REPORT

### PROPERTY, PLANT AND EQUIPMENT

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

### CONNECTED TRANSACTIONS

Transactions with connected persons of the Group are disclosed in Note 42 to the consolidated financial statements. Certain transactions entered into with connected persons constitute connected transactions under Chapter 14A of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The connected transactions are set out below:

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

Details of the above continuing connected transactions are set out in the prospectus of the Company dated 20 April 2004 (the "Prospectus").

The above connected transactions have been reviewed by the independent non-executive Directors, who confirmed that the above transactions are conducted in accordance with the terms of the relevant agreements, and such terms are fair and reasonable and in the interests of the Company's shareholders as a whole.

2. On 9 May 2018, the Company entered into a new framework agreement (the "New Framework Agreement") with its substantial shareholder, Inspur Group Limited, and its subsidiaries (collectively referred to as "Inspur Group"), which consolidates the existing continuing connected transactions of the Company into five business categories. The principal terms are as follows:

#### A. Supply Transactions

The Group from time to time supplies and provides software and hardware developed by the Group, as well as cloud services, IoT solutions, enterprise management-related solutions and other information technology services to Inspur Group Limited's group.

On 27 December 2024, the Company entered into a framework agreement with Inspur Group Limited for the renewal of supply transactions and revision of the relevant annual caps, pursuant to which the annual caps for supply transactions for each of the financial years ending 31 December 2025, 2026 and 2027 shall not exceed RMB 1,010,807,000, RMB 1,146,225,000 and RMB 1,299,854,000 respectively.

Further details of the above continuing connected transactions are disclosed in the circular of the Company dated 30 June 2025.

For the year ended 31 December 2025, the cumulative transaction amount under the supply transaction agreements amounted to approximately RMB 568,104,000.

The independent non-executive Directors have reviewed the above connected transactions for the year ended 31 December 2025 and confirmed that the supply transactions are (i) conducted in the ordinary and usual course of the Group's business; (ii) carried out on terms no less favourable than those available to the Group from independent third parties (not being connected persons of the Group under the Listing Rules); and (iii) conducted in accordance with the relevant agreements governing the supply transactions, and such terms are fair and reasonable and in the interests of the Group's shareholders as a whole.



## B. Sales Agency Agreement

The Group appoints Inspur Group as its sales agent for the sale of the Group's products and services. In return, Inspur Group shall receive commission not exceeding 1% of the total sales value of products and services.

On 27 December 2024, the Company entered into a framework agreement with Inspur Group Limited for the renewal of the sales agency agreement and revision of the relevant annual caps. Pursuant thereto, the annual caps under the sales agency agreement for each of the financial years ending 31 December 2025, 2026 and 2027 shall not exceed RMB 818,635,000, RMB 928,332,000 and RMB 1,052,728,000 respectively. The maximum caps on commission payable by the Group to Inspur Group for each of the financial years ending 31 December 2025, 2026 and 2027 shall not exceed RMB 8,186,000, RMB 9,283,000 and RMB 10,527,000 respectively.

Further details of the above continuing connected transactions are disclosed in the circular of the Company dated 30 June 2025.

For the year ended 31 December 2025, the cumulative transaction amount under the sales agency agreement was RMB 634,712,000, with commission paid amounting to RMB 6,347,000.

The independent non-executive Directors have reviewed the above connected transactions for the year ended 31 December 2025 and confirmed that the sales agency agreement is (i) conducted in the ordinary and usual course of the Group's business; (ii) carried out on terms no less favourable than those obtainable by the Group from independent third parties (not being connected persons of the Group under the Listing Rules); and (iii) conducted in accordance with the relevant agreements governing the sales agency agreement, and such terms are fair and reasonable and in the interests of the Group's shareholders as a whole.

## C. Procurement Transactions

The Group from time to time purchases a variety of information technology products, hardware and services from the group of Inspur Group Limited, including without limitation servers, storage products and other accessories under the "Inspur" brand.

On 27 December 2024, the Company entered into a framework agreement with Inspur Group Limited for the renewal of procurement transactions and revision of the relevant annual caps. Accordingly, the annual caps for procurement transactions for each financial year ending 31 December 2025, 2026 and 2027 shall not exceed RMB 1,004,800,000, RMB 1,139,443,000 and RMB 1,292,129,000 respectively.

Further details of the above continuing connected transactions are set out in the circular of the Company dated 30 June 2025.

For the year ended 31 December 2025, the aggregate transaction amount under the procurement transaction agreements amounted to RMB 534,479,000.

The independent non-executive Directors have reviewed the above connected transactions for the year ended 31 December 2025 and confirmed that the procurement transactions are (i) conducted in the ordinary and usual course of the Group's business; (ii) conducted on terms no less favourable than those obtainable by the Group from independent third parties (other than connected persons of the Group as defined under the Listing Rules); and (iii) conducted in accordance with the relevant agreements governing procurement transactions, and such terms are fair and reasonable and in the overall interests of the Group's shareholders.



## DIRECTORS' REPORT

### D. Public Services Transactions

Inspur Group will provide services to the Group in respect of property usage (the "Public Services"). The charges are negotiated on normal commercial terms and fair principles, or on terms no less favourable than those offered by Inspur Group to other parties or provided by other parties to the Group for similar services.

On 27 December 2024, the Company entered into a framework agreement with Inspur Group Limited for the renewal of public services transactions and amendment of the relevant annual caps. Pursuant thereto, the annual caps for public services transactions for each financial year ending 31 December 2025, 2026 and 2027 shall not exceed RMB 23,066,000, RMB 26,157,000 and RMB 29,662,000 respectively.

Further details of the above continuing connected transactions are disclosed in the announcement of the Company dated 27 December 2024.

For the year ended 31 December 2025, the aggregate transaction amount under the public services transaction agreements was approximately RMB 22,976,000.

The independent non-executive Directors have reviewed the above connected transactions for the year ended 31 December 2025 and confirmed that the public services transactions are (i) conducted in the ordinary and usual course of the Group's business; (ii) conducted on terms no less favourable than those obtainable from independent third parties (not being connected persons of the Group under the Listing Rules); and (iii) conducted in accordance with the relevant agreements governing public services transactions, and such terms are fair and reasonable and in the interests of the Company's shareholders as a whole.

### E. Leasing

The Group provides leasing services (the "Leasing") to Inspur Group in respect of its properties located in Beijing, Jinan and other places. The charges are negotiated on normal commercial terms and arm's length principles, or on terms no less favourable than those offered to other parties for similar services.

On 27 December 2024, the Company entered into a framework agreement with Inspur Group Limited in relation to leasing transactions. Pursuant thereto, the annual cap for leasing transactions for each financial year ending 31 December 2025, 2026 and 2027 shall not exceed RMB 45,000,000.

Further details of the above continuing connected transactions are disclosed in the announcement of the Company dated 27 December 2024.

For the year ended 31 December 2025, the total amount of property rental and management fees received was approximately RMB 19,780,000.



The independent non-executive Directors have reviewed the above connected transactions for the year ended 31 December 2025 and confirmed that the leasing arrangements are (i) conducted in the ordinary and usual course of the Group's business; (ii) carried out on terms no less favourable than those obtainable from independent third parties (not being connected persons of the Group under the Listing Rules); and (iii) conducted in accordance with the relevant agreements governing leasing transactions, and such terms are fair and reasonable and in the interests of the Company's shareholders as a whole.

### 3. Financial Services

On 27 December 2024, the Group entered into the 2025 Framework Financial Services Agreement with Inspur Finance, pursuant to which Inspur Finance agreed to provide certain types of financial services to the Group on a non-exclusive basis, including deposit services, loan and financing services and other financial services, for a term of three years ending 31 December 2027. Amongst which, the annual transaction caps for deposit services for the years 2025 to 2027 shall not exceed RMB900,000,000, RMB1,050,000,000 and RMB1,200,000,000 respectively.

Further details of the above continuing connected transactions are disclosed in the circular of the Company dated 30 June 2025.

For the year ended 31 December 2025, the maximum daily deposit balance (including any accrued interest) was approximately RMB894,580,000. The outstanding loan facility balance was RMB468,966,000.

In respect of the above connected transactions and continuing connected transactions, the Company confirms compliance with the disclosure requirements under Chapter 14A of the Listing Rules. In addition, pursuant to Rules 14A.56 and 14A.57 of the Listing Rules, the Board has appointed the Company's auditor to perform certain procedures in relation to the above continuing connected transactions. Based on the work performed, the Company's auditor has provided a letter to the Board confirming that the above continuing connected transactions:

- (i) have been approved by the Directors;
- (ii) are entered into in accordance with the terms of the relevant agreements governing the transactions; and
- (iii) have not exceeded the capped amounts.

### 4. Interest Income

For the year ended 31 December 2025, interest income received by the Group from Inspur Group Finance Co., Ltd. amounted to RMB 2,761,000.

### 5. Business Travel Services

On 27 December 2024 and 31 August 2025, the Group entered into the Business Travel Services Framework Agreement and a supplementary agreement with Inspur Travel respectively. Pursuant thereto, Inspur Travel agreed to provide certain travel business services to the Group, and the annual cap for travel business services shall not exceed RMB 150,000,000 for each financial year ending 31 December 2025, 2026 and 2027.

Further details of the above continuing connected transactions are disclosed in the announcements of the Company dated 27 December 2024 and 31 August 2025.

For the year ended 31 December 2025, the transaction amount of business travel services was approximately RMB 25,158,000.

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

# DIRECTORS' REPORT

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2025, the Company's reserves available for distribution are set out as below:

	2025 RMB'000
Reserves	3,156,361

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. Zhao Zhen\*<sup>1</sup>  
Mr. Wei Daisen\*<sup>1</sup>  
Mr. Wang Yusen  
Mr. Cui Hongzhi  
Ms. Li Chunxiang  
Mr. Wong Lit Chor, Alexis  
Ms. Zhang Ruijun  
Mr. Ding Xiangqian

\*<sup>1</sup> Mr. Zhao Zhen resigned as Executive Director on Jan 9, 2026, and Mr. Wei Daisen served as Executive Director on Jan 9, 2026.

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 the revised Listing Rules, Mr. Wei Daisen who was appointed as executive Director on 9 January 2024, obtained the legal advice as referred to in Rule 3.09D on the same date. Mr. Wei Daisen has confirmed that he understood his obligations his obligations as a director of the Company.

## DIRECTORS' REPORT



### 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 2025, 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	Details of equity derivatives	Number of underlying shares (Note)	Subscription price per share HK\$
Zhang Ruijun	owner	share option	200,000 <sup>1</sup>	3.16
Wei Daisen	owner	share option	450,000 <sup>2</sup>	4.72
Cui Hongzhi	owner	share option	350,000 <sup>2</sup>	4.72
Wang Yusen	owner	share option	250,000 <sup>2</sup>	4.72
Zou Bo	owner	share option	200,000 <sup>2</sup>	4.72

Notes:

- (1) On 16 October 2018, the share options of the directors were granted under 2008 Share Option Scheme.
- (2) On 11 January 2023, the share options of the directors and chief executives were granted under 2018 Share Option Scheme.

Save as disclosed above, as at 31 December 2025, 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.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2025, 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 ordinary shares beneficially held by the Company	Percentage of the issued share capital
Inspur Group Limited	Beneficial owner (Note 1)	428,278,400	35.07%
Inspur International (Hong Kong) Co., Limited	Beneficial owner (Note 1)	193,401,286	15.84%

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 2025, 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.

## DIRECTORS' REPORT



## SHARE OPTIONS SCHEMES

A breakdown of the number of share options outstanding at the beginning and at the end of the year ended 31 December 2025, 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:

Category/Participant	Number of share options						Outstanding as at 31 December 2025	Exercise price per share (HK\$)	Exercise Period	Vesting Period
	Outstanding as at 1 January 2025	Date of Grant	Granted	Exercised	Cancelled	Lapsed				
<b>Directors and chief executives</b>										
Wong Lit Chor, Alexis	200,000	16 Oct 2018	–	200,000	–	–	0	3.16	16 Oct 2018 to 15 Oct 2028	Note 1
Zhang Ruijun	200,000	16 Oct 2018	–	–	–	–	200,000	3.16	16 Oct 2018 to 15 Oct 2028	Note 1
Ding Xiangqian	200,000	16 Oct 2018	–	200,000	–	–	0	3.16	16 Oct 2018 to 15 Oct 2028	Note 1
Wei Daisen	450,000	11 Jan 2023	–	–	–	–	450,000	4.72	11 Jan 2023 to 10 Jan 2028	Note 2
Cui Hongzhi	500,000	11 Jan 2023	–	150,000	–	–	350,000	4.72	11 Jan 2023 to 10 Jan 2028	Note 2
Wang Yusen	250,000	11 Jan 2023	–	–	–	–	250,000	4.72	11 Jan 2023 to 10 Jan 2028	Note 2
Zou Bo	200,000	11 Jan 2023	–	–	–	–	200,000	4.72	11 Jan 2023 to 10 Jan 2028	Note 2
<b>Sub-total</b>	<b>2,000,000</b>		<b>–</b>	<b>550,000</b>	<b>–</b>	<b>–</b>	<b>1,450,000</b>			
<b>Employees</b>	655,100	28 Aug 2020	–	655,100	–	–	0	2.29	28 Aug 2020 to 27 Aug 2030	Note 3
<b>Employees</b>	27,482,000	11 Jan 2023	–	10,282,000	980,500	–	16,219,500	4.72	11 Jan 2023 to 10 Jan 2028	Note 2
<b>Employees</b>		18 Dec 2025	26,800,000	–	617,200	–	26,182,800	6.59	18 Dec 2025 to 17 Dec 2030	Note 4
<b>Sub-total</b>	<b>28,137,100</b>		<b>26,800,000</b>	<b>10,937,100</b>	<b>1,597,700</b>	<b>–</b>	<b>42,402,300</b>			
<b>Total</b>	<b>30,137,100</b>		<b>26,800,000</b>	<b>11,487,100</b>	<b>1,597,700</b>	<b>–</b>	<b>43,852,300</b>			

Notes:

- 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).
- 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).

## DIRECTORS' REPORT

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.
4. 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).

Save as disclosed above, as at 31 December 2025, 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 )
At 1 January 2025	Opening balance of scheme authorisations	78,052,073
At 31 December 2025	Remaining balance of scheme authorisation	51,252,073

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

2. As of the date of this report, the total number of shares available for issue under the Company's share option scheme was 91,804,873, representing 7.51% of the Company's issued shares as at the date of this report.

### 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 2025, 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.

## DIRECTORS' REPORT



### AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian. Mr. Wong Lit Chor, Alexis is the chairman of the audit committee. The 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 2025 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 (the "Code") contained in Appendix C1 of Listing Rules for Main Board throughout the period ended 31 December 2025.

### 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.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers set out in Appendix C3 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 2025.

### EMOLUMENT POLICY

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

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

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



## DIRECTORS' REPORT

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2025.

### 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 2026 to 17 June 2026 (both dates inclusive), during which period no transfer of shares will be effected, and the record date will be 17 June. 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 2026.

The register of members will be closed from 2 July 2026 to 6 July 2026 (both dates inclusive), during which period no transfer of shares will be effected, and the record date will be 6 July. 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 2026.

### AUDITOR

SHINEWING (HK) CPA LIMITED has been reappointed as the auditor of the Company for the year ended 31 December 2025.

On behalf of the Board

**Wei Daisen**

*Chairman*

30 March 2026

# 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 65 to 153 which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, 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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

### *Revenue recognition of software development contracts*

Key audit matter	How our audit addressed the key audit matter
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>
<p>Details relating to the Group's revenue arising from software development contracts and related key estimation uncertainty on recognition are set out in Notes 4 and 5 to the consolidated financial statements.</p>	<p>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.</p>
	<p>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.</p>

## INDEPENDENT AUDITOR'S REPORT

**KEY AUDIT MATTERS** (continued)***Valuation of investment properties***

Key audit matter	How our audit addressed the key audit matter
<p>We identified valuation of investment properties as a key audit matter due to subjective judgments and estimates required in determining the fair value.</p> <p>As at 31 December 2025, the Group's investment properties which comprised the office premises located in Jinan, Beijing, Changsha and Changchun were stated at fair value of approximately RMB 529,099,000.</p> <p>The Group's investment properties located in Jinan and the investment properties located in Beijing, totally accounted for approximately 99% 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.</p>	<p>We have discussed with management to understand valuation process of the investment properties.</p> <p>We have evaluated the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work.</p> <p>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.</p>



## INDEPENDENT AUDITOR'S REPORT

### 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 HKFRS Accounting Standards 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.

## INDEPENDENT AUDITOR'S REPORT



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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Company's 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.



## INDEPENDENT AUDITOR'S REPORT

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

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 Wong Hon Kei, Anthony.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Wong Hon Kei, Anthony**

Practising Certificate Number: P05591

Hong Kong

30 March 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	NOTES	2025 RMB'000	2024 RMB'000
Revenue	5	7,308,014	8,200,805
Cost of sales		(5,293,027)	(5,992,386)
Gross profit		2,014,987	2,208,419
Other income	7	119,226	190,143
Other gains and losses, net	7	(3,390)	(850)
Impairment losses under expected credit loss model, net of reversal	8	(109,491)	(141,079)
Administrative expenses		(403,019)	(375,188)
Research and development expenses		(726,006)	(864,719)
Selling and distribution expenses		(567,325)	(496,596)
Finance costs	10	(24,168)	(9,257)
Changes in fair value of investment properties		(100,313)	(42,230)
Share of result of an associate		12,522	11,442
Share of result of a joint venture		3,903	306
Profit before tax		216,926	480,391
Income tax credit (expense)	9	23,682	(86,750)
Profit for the year	10	240,608	393,641
Profit for the year attributable to:			
– Owners of the Company		237,546	384,705
– Non-controlling interests		3,062	8,936
		240,608	393,641
<b>Earnings per share</b>	14		
– Basic (RMB Cent)		20.59	33.69
– Diluted (RMB Cent)		20.46	33.68

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
Profit for the year	240,608	393,641
<b>Other comprehensive (expense) income:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation upon transfer from property, plant and equipment to investment properties	—	5,483
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties	—	(822)
Remeasurement of deferred tax on revaluation of non-current assets	—	57,253
	—	61,914
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	50	5,186
Other comprehensive income for the year, net of income tax	50	67,100
<b>Total comprehensive income for the year</b>	<b>240,658</b>	<b>460,741</b>
<b>Total comprehensive income for the year attributable to:</b>		
– Owners of the Company	237,596	451,805
– Non-controlling interests	3,062	8,936
	<b>240,658</b>	<b>460,741</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	NOTES	2025 RMB'000	2024 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	15	406,774	257,659
Investment properties	16	529,099	781,794
Right-of-use assets	17	37,091	47,868
Other intangible assets	18	221,281	73,026
Financial assets at fair value through profit or loss ("FVTPL")		1,000	1,000
Interest in an associate	19	469,176	456,654
Interest in a joint venture	20	141,517	137,614
		<b>1,805,938</b>	<b>1,755,615</b>
<b>Current assets</b>			
Inventories	21	691	2,816
Trade and bills receivables	22	2,756,448	3,141,322
Debt instruments at fair value through other comprehensive income ("FVTOCI")	22	13,053	10,354
Prepayments, deposits and other receivables		551,334	488,577
Contract assets	23	1,577,081	1,059,191
Amount due from ultimate holding company	24	14,402	19,728
Amounts due from fellow subsidiaries	24	756,550	619,497
Pledged bank deposits	25	65,489	99,291
Bank balances and cash	25	1,257,987	908,405
		<b>6,993,035</b>	<b>6,349,181</b>
<b>Current liabilities</b>			
Trade payables	26	2,568,911	2,606,646
Other payables, deposits received and accrued expenses	27	724,716	927,314
Lease liabilities	28	5,798	10,518
Contract liabilities	23	810,640	1,144,112
Provisions	29	15,833	12,580
Amount due to ultimate holding company	30	43,619	2,488
Amounts due to fellow subsidiaries	30	376,233	333,196
Amount due to an associate	31	468,966	104,472
Deferred income - government grants	35	10,392	20,578
Borrowings	32	328,550	—
Tax liabilities		21,224	121,295
		<b>5,374,882</b>	<b>5,283,199</b>
<b>Net current assets</b>		<b>1,618,153</b>	<b>1,065,982</b>
<b>Total assets less current liabilities</b>		<b>3,424,091</b>	<b>2,821,597</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025  
(continued)

	NOTES	2025 RMB'000	2024 RMB'000
<b>Non-current liabilities</b>			
Lease liabilities	28	6,162	5,295
Borrowings	32	16,870	—
Deferred income - government grants	35	34,667	34,595
Deferred tax liabilities	36	126,277	170,288
Amount due to an associate	31	—	26,672
		<b>183,976</b>	<b>236,850</b>
<b>Net assets</b>		<b>3,240,115</b>	<b>2,584,747</b>
<b>Capital and reserves</b>			
Share capital	33	11,516	10,796
Reserves		3,156,361	2,501,435
Equity attributable to owners of the Company		<b>3,167,877</b>	2,512,231
Non-controlling interests		<b>72,238</b>	72,516
<b>Total equity</b>		<b>3,240,115</b>	<b>2,584,747</b>

The consolidated financial statements on pages 65 to 153 were approved by the Board of Directors on 30 March 2026 and were signed on its behalf by:

**Mr. WANG Yusen**  
*Director*

**Mr. WEI Daisen**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Share	Share	Other	Special	Share -	Translation	Revaluation	Merge	Retained	Sub-total	Non-	Total
	capital	premium	reserve	reserve	based	reserve	reserve	reserve	profits		controlling	
	RMB'000	RMB'000	RMB'000	RMB'000	payments	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	interests	RMB'000
			(Note i)	(Note ii)	reserve			(Note iii)				
At 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 recognised as distribution (note 13)	—	—	—	—	—	—	—	—	(31,250)	(31,250)	—	(31,250)
Recognition of equity-settled share-based payments (note 34)	—	—	—	—	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
At 1 January 2025	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
Profit for the year	—	—	—	—	—	—	—	—	237,546	237,546	3,062	240,608
Other comprehensive income	—	—	—	—	—	50	—	—	—	50	—	50
Total comprehensive income for the year	—	—	—	—	—	50	—	—	237,546	237,596	3,062	240,658
Placement of new shares (Note iv)	615	448,677	—	—	—	—	—	—	—	449,292	—	449,292
Transaction costs attributable to issue of shares (Note iv)	—	(3,183)	—	—	—	—	—	—	—	(3,183)	—	(3,183)
Deregistration of a subsidiary	—	—	—	—	—	—	—	—	—	—	(980)	(980)
Dividend recognised as distribution (note 13)	—	—	—	—	—	—	—	—	(83,209)	(83,209)	—	(83,209)
Dividend paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(475)	(475)
Acquisition of additional interests in a subsidiary	—	—	(2,116)	—	—	—	—	—	—	(2,116)	(1,885)	(4,001)
Exercise of share options (note 34)	105	69,318	—	—	(26,751)	—	—	—	—	42,672	—	42,672
Share options lapsed (note 34)	—	—	—	—	(2,419)	—	—	—	2,419	—	—	—
Recognition of equity-settled share-based payments (note 34)	—	—	—	—	14,594	—	—	—	—	14,594	—	14,594
At 31 December 2025	11,516	1,886,621	(478,946)	98	37,049	16,484	159,540	(347,589)	1,883,104	3,167,877	72,238	3,240,115

## 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."
- iv) The Group have completed placing of new shares on 26 November 2025. An aggregate of 67,634,000 placing shares with placing price of HK\$7.3 were issued. Gross proceed from placing of new shares amounted to approximately HK\$493,728,000 (approximately RMB449,292,000), after deduction of transactions costs of HK\$3,498,000 (approximately RMB3,183,000), net proceeds amounted to HK\$490,230,000 (approximately RMB446,109,000).

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	216,926	480,391
Adjustments for:		
Share of result of an associate	(12,522)	(11,442)
Share of result of a joint venture	(3,903)	(306)
Interest income	(4,739)	(7,516)
Finance costs	24,168	9,257
Changes in fair value of investment properties	100,313	42,230
Depreciation of property, plant and equipment	35,093	23,802
Depreciation of right-of-use assets	14,232	21,972
Amortisation of other intangible assets	26,233	18,038
Loss (gain) on disposal/written off of property, plant and equipment	193	(59)
Net impairment losses on financial assets	79,200	90,085
Net impairment losses on contract assets	30,291	50,994
Utilisation for onerous contracts, net	3,253	4,670
Government subsidies and grants	(40,203)	(81,919)
Recognition of equity-settled share-based payments	14,594	22,348
Operating cash flows before movements in working capital	483,129	662,545
Decrease (increase) in inventories	2,125	(1,322)
Decrease (increase) in trade and bills receivables	298,940	(1,610,573)
(Increase) decrease in debt instruments at FVTOCI	(2,699)	5,099
Increase in prepayments, deposits and other receivables	(57,546)	(60,281)
Increase in contract assets	(548,181)	(285,794)
Decrease (increase) in amount due from ultimate holding company	6,847	(17,417)
Increase in amounts due from fellow subsidiaries	(133,317)	(269,563)
(Decrease) increase in trade payables	(37,735)	1,407,785
(Decrease) increase in other payables, deposits received and accrued expenses	(202,658)	103,528
Decrease in contract liabilities	(333,472)	(283,557)
Increase in amounts due to fellow subsidiaries	19,611	109,635
(Decrease) increase in amount due to ultimate holding company	(13)	9
Increase in deferred income	15,987	24,431
Cash used in operations	(488,982)	(215,475)
Income taxes paid	(120,400)	(16,009)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(609,382)</b>	<b>(231,484)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
<b>INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	—	(1,000)
Purchase of property, plant and equipment	(33,418)	(12,368)
Purchase of other intangible assets	(174,488)	(57,436)
Proceeds from disposal of property, plant and equipment	743	678
Withdrawal of pledged bank deposits	33,802	—
Placement of pledged bank deposits	—	(67,637)
Refund of capital from an associate	—	69
Repayment from fellow subsidiaries	—	27,075
Repayment from ultimate holding company	197	—
Advance to ultimate holding company	—	(345)
Advance to fellow subsidiaries	(3,931)	—
Interest received	4,739	7,516
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(172,356)</b>	<b>(103,448)</b>
<b>FINANCING ACTIVITIES</b>		
Deregistration of a subsidiary	(980)	—
Proceeds from borrowings from an associate	408,489	26,672
Proceeds received from advances on discounted bills	184,892	122,100
Proceeds from bank borrowings	626,154	350,444
Placement of new shares, net of transaction costs	446,109	—
Proceeds from exercise of share options	42,672	—
Advances from fellow subsidiaries	4,211	4,745
Advance from ultimate holding company	—	1,307
Government grant received	14,102	4,391
Capital injection from non-controlling shareholder of a subsidiary	—	35,237
Repayments of advances on discounted bills	(75,075)	(122,100)
Repayments of bank borrowings	(330,074)	(350,444)
Repayments of lease liabilities	(7,308)	(19,724)
Acquisition of additional interest in a subsidiary	(4,001)	—
Dividend paid	(21,443)	(31,250)
Dividend paid to non-controlling interests in subsidiaries	(475)	—
Repayment to ultimate holding company	(1,407)	—
Repayment to an associate	(131,144)	(38,397)
Interest paid on lease liabilities	(719)	(1,360)
Interest paid on discounted bills	(3,180)	(1,812)
Interest paid on bank borrowings	(11,560)	(2,953)
Interest paid on borrowings from an associate	(8,709)	(3,132)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>1,130,554</b>	<b>(26,276)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>348,816</b>	<b>(361,208)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>908,405</b>	<b>1,264,504</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>766</b>	<b>5,109</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>1,257,987</b>	<b>908,405</b>
Represented by bank balances and cash	1,257,987	908,405

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 1. GENERAL

Inspur Digital Enterprise Technology Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Inspur Group Limited ("IPG"), a company established in the People's Republic of China (the "PRC") is the immediate and ultimate holding company of the Company. 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 HKFRS ACCOUNTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 January 2025:

Amendments to HKAS 21	Lack of Exchangeability
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The application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

### New and amendments to HKFRS Accounting Standards issued but not yet effective

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

HKFRS 18	Presentation and Disclosure in Financial Statements <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards - Volume 11 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2027

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

(continued)

### New and amendments to HKFRS Accounting Standards 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.

## 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 HKFRS Accounting Standards 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

### 3.1 Basis of preparation of consolidated financial statements (continued)

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.

### 3.2 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



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

### 3.2 Material accounting policy information (continued)

#### Basis of consolidation (continued)

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 from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

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

#### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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)

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.

#### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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)

##### **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.

#### 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.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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)

*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.

*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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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* (continued)

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.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

#### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

### 3.2 Material accounting policy information (continued)

#### Foreign currencies (continued)

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

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

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".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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 Accounting Standard 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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 the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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 associated with investments in subsidiaries and associates and interest in 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 in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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 purpose of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. 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 right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liabilities 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 taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes 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 are 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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 other 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 other 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 other 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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 other 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. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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**

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.

#### *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.

Debt instruments 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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, amount due from ultimate holding company, amounts due from fellow subsidiaries, pledged bank deposits, and bank balances and cash), and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade and bills receivables, contract assets and amounts due from related parties 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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 (continued)

Despite the foregoing, 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.

(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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)*

(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.

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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, trade and bill receivables, other receivables, contract assets and amounts due from related parties where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

*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;

*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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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, borrowings, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



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

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

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

### Critical judgments in applying accounting policies

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

#### *Deferred taxation on investment properties*

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

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

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

(continued)

### Key sources of estimation uncertainty (continued)

#### (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.

At the end of the reporting period, the Group's investment properties are stated at fair value of approximately RMB529,099,000 (2024: RMB781,794,000) 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 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 and Changchun, the Valuer has applied comparative approach which based on rent market prices of comparable properties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



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

(continued)

### Key sources of estimation uncertainty (continued)

#### (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 2025, the gross carrying amount of trade and bills receivables and contract assets were RMB3,011,243,000 (2024: RMB3,310,183,000) and RMB1,807,053,000 (2024: RMB1,258,872,000), respectively and the balances of allowance for credit losses were RMB254,795,000 (2024: RMB168,861,000) and RMB229,972,000 (2024: RMB199,681,000), respectively.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables and contract assets are disclosed in note 38.

## 5. REVENUE

### Disaggregation of revenue from contracts with customers

Segments	Year ended 31 December 2025			
	Cloud services RMB'000	Management software RMB'000	Internet of things (IoT) solution RMB'000	Consolidated RMB'000
<b>Types of goods or services</b>				
Sales of IT peripherals and software	—	—	2,332,055	2,332,055
Software development	2,739,535	1,534,251	—	4,273,786
Other software services	—	702,173	—	702,173
	<u>2,739,535</u>	<u>2,236,424</u>	<u>2,332,055</u>	<u>7,308,014</u>
<b>Geographical markets</b>				
Chinese Mainland	2,530,743	2,184,165	2,125,197	6,840,105
Hong Kong	19,976	10,474	7,913	38,363
Overseas	188,816	41,785	198,945	429,546
	<u>2,739,535</u>	<u>2,236,424</u>	<u>2,332,055</u>	<u>7,308,014</u>
<b>Timing of revenue recognition</b>				
At point in time	—	—	2,332,055	2,332,055
Over time	2,739,535	2,236,424	—	4,975,959
	<u>2,739,535</u>	<u>2,236,424</u>	<u>2,332,055</u>	<u>7,308,014</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 5. REVENUE (continued)

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

Segments	Year ended 31 December 2024			Consolidated RMB'000
	Cloud services RMB'000	Management software RMB'000	Internet of things (IoT) solution RMB'000	
<b>Types of goods or services</b>				
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
	<u>2,761,458</u>	<u>2,556,116</u>	<u>2,883,231</u>	<u>8,200,805</u>
<b>Geographical markets</b>				
Chinese Mainland	2,688,258	2,413,553	2,202,279	7,304,090
Hong Kong	26,812	2,934	13,903	43,649
Overseas	46,388	139,629	667,049	853,066
	<u>2,761,458</u>	<u>2,556,116</u>	<u>2,883,231</u>	<u>8,200,805</u>
<b>Timing of revenue recognition</b>				
At point in time	—	—	2,883,231	2,883,231
Over time	2,761,458	2,556,116	—	5,317,574
	<u>2,761,458</u>	<u>2,556,116</u>	<u>2,883,231</u>	<u>8,200,805</u>

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 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.

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

Segments	Year ended 31 December 2025			Consolidated RMB'000
	Cloud services RMB'000	Management software RMB'000	Internet of things (IoT) solution RMB'000	
Segment revenue	2,739,535	2,236,424	2,332,055	7,308,014
Segment profit	145,940	256,278	44,575	446,793
Unallocated other income, gains and losses, net				32,374
Changes in fair value of investment properties				(100,313)
Share of result of an associate				12,522
Share of result of a joint venture				3,903
Share-based payments				(14,594)
Unallocated administrative expenses				(30,100)
Impairment losses under ECL model, net of reversal				(109,491)
Finance costs				(24,168)
Profit before tax				216,926

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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 2024			Consolidated RMB'000
	Cloud services RMB'000	Management software RMB'000	Internet of things (IoT) solution 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 result of an associate				11,442
Share of result of a joint venture				306
Share-based payments				(22,348)
Unallocated administrative expenses				(26,046)
Impairment losses under ECL model, net of reversal				(141,079)
Finance costs				(9,257)
Profit before tax				480,391

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 6. SEGMENT INFORMATION (continued)

### 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.

	Revenue			
	from external customers		Non-current assets	
	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Chinese Mainland	6,840,105	7,304,090	1,779,189	1,728,806
Hong Kong	38,363	43,649	23,891	25,030
Overseas	429,546	853,066	1,858	1,779
	<u>7,308,014</u>	<u>8,200,805</u>	<u>1,804,938</u>	<u>1,755,615</u>

### 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 2025 and 2024.

## 7. OTHER INCOME/OTHER GAINS AND LOSSES, NET

	2025	2024
	RMB'000	RMB'000
<b>Other income:</b>		
Interest income on bank deposits	1,978	4,407
Interest income from an associate	2,761	3,109
VAT refund (Note i)	43,259	57,136
Government subsidies and grants (Note ii)	40,203	81,919
Rental income	25,622	43,331
Others	5,403	241
	<u>119,226</u>	<u>190,143</u>
<b>Other gains and losses, net:</b>		
Net foreign exchange loss	(1,802)	(459)
Net (loss) gain on disposal and written off of property, plant and equipment	(193)	59
Others	(1,395)	(450)
	<u>(3,390)</u>	<u>(850)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

Notes:

- i. Inspur Generally Software Co., Ltd. ("Inspur Genersoft") and Inspur Communications System Co., Ltd. ("Inspur Communications"), subsidiaries of the Company, are engaged in the business of distribution of self-developed and produced software. Under the current PRC tax regulation, both are entitled to a refund of VAT paid for sales of self-developed software in the PRC.
- ii. For the year ended 31 December 2025, government subsidiaries approximately RMB14,102,000 (2024: RMB4,391,000) 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 2025, government grants of approximately RMB26,101,000 (2024: RMB77,528,000) represents the grants from the relevant government authorities for funding certain development projects undertaken by the group entities. The grants received are recognised as income when i) the related projects have been completed, ii) the evaluation of the project results by the relevant government authority has been completed, and iii) no other future conditions are required to fulfil by the Group.

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

	2025 RMB'000	2024 RMB'000
Impairment losses on:		
– Trade and bills receivables	126,650	99,998
– Other receivables	2,614	5,474
– Contract assets	42,554	65,177
– Amounts due from related parties	11,831	20,741
Reversal of impairment losses on:		
– Trade and bills receivables	(40,716)	(25,518)
– Other receivables	(7,825)	(2,320)
– Contract assets	(12,263)	(14,183)
– Amounts due from related parties	(13,354)	(8,290)
	<u>109,491</u>	<u>141,079</u>

## 9. INCOME TAX (CREDIT) EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax:		
PRC EIT	20,074	81,494
Under-provision in prior years	255	81
Deferred tax (note 36)	(44,011)	5,175
	<u>(23,682)</u>	<u>86,750</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 9. INCOME TAX (CREDIT) EXPENSE (continued)

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 Gensoft, 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"), Inspur Haiyue Cloud Technology (Shenzhen) Co., Ltd. ("Shenzhen Inspur Haiyue"), Shandong Inspur Aolin Big Data Technology Co., Ltd. ("Inspur Aolin"), Inspur Communications Information System (Tianjin) Co., Ltd. ("Communication Tianjin") and Shandong Inspur Digital Services Co., Ltd. ("Inspur Digital Services"). These PRC subsidiaries are recognised as "New and High Technology Enterprise" and therefore entitled to apply a tax rate of 15% for the years ended 31 December 2025 and 2024.

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:

	2025 RMB'000	2024 RMB'000
Profit before tax	216,926	480,391
Tax at PRC EIT of 25% (2024: 25%) (Note)	54,232	120,098
Tax effect of share of profit of an associate	(3,131)	(2,861)
Tax effect of share of profit of a joint venture	(976)	(77)
Tax effect of tax losses not recognised	37,897	21,348
Utilisation of tax losses previously not recognised	(15,097)	(2,913)
Tax effect of deductible temporary differences not recognised	27,653	—
Under-provision in respect of prior years	255	81
Tax effect of expenses not deductible for tax purpose	8,409	29,591
Tax effects of income not taxable for tax purpose	—	(2,439)
Tax effect of additional deduction for research and development expenses	(110,140)	(167,377)
Income tax at concessionary rate	(3,827)	(4,313)
Deferred tax on withholding tax arising from PRC subsidiaries	7,070	11,509
Deferred tax on PRC Land Appreciation Tax	(51,081)	—
Tax effect of intra group restructuring	—	73,546
Tax effect on changes in fair value of investment properties in Chinese Mainland	25,054	10,557
Income tax (credit) expense	<b>(23,682)</b>	86,750

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 9. INCOME TAX (CREDIT) EXPENSE (continued)

At the end of the reporting period, the Group had unused tax losses of RMB1,044,468,000 (2024: RMB953,268,000), 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 RMB1,044,468,000 (2024: RMB953,268,000) will expire in various years before 2035 (2024: 2034).

## 10. PROFIT FOR THE YEAR

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

	2025 RMB'000	2024 RMB'000
Depreciation for property, plant and equipment	35,093	23,802
Depreciation for right-of-use assets	14,232	21,972
Amortisation for other intangible assets	26,233	18,038
Total depreciation and amortisation	<u>75,558</u>	<u>63,812</u>
Auditor's remuneration		
– audit service	2,120	2,100
Expense relating to short-term leases	45,130	22,060
Gross rental income from investment properties	(25,622)	(43,635)
Less: Direct expenses	3,102	304
Net rental income from investment properties	<u>(22,520)</u>	<u>(43,331)</u>
Directors' remuneration (note 11)	4,773	9,517
Other staff costs		
Salaries and other benefit	1,736,008	1,973,289
Share-based payments	14,251	21,659
Retirement benefits schemes contributions	360,748	325,277
Total staff costs	<u>2,111,007</u>	<u>2,320,225</u>
Cost of inventories recognised as expense in cost of sales	<u>2,084,492</u>	<u>2,332,629</u>
Interest expense on:		
– Lease liabilities	719	1,360
– Bank borrowings on discounted bills	3,180	1,812
– Bank borrowings	11,560	2,953
– Borrowings from an associate	8,709	3,132
	<u>24,168</u>	<u>9,257</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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 2025

	Other emoluments				Total RMB'000
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payment RMB'000	
<b>Executive directors</b>					
Zhao Zhen (Note i)	—	909	165	—	1,074
Wang Yusen	—	365	103	114	582
Cui Hongzhi	—	2,566	106	229	2,901
<b>Non-executive director</b>					
Li Chunxiang	—	—	—	—	—
<b>Independent non-executive directors</b>					
Wong Lit Chor, Alexis	108	—	—	—	108
Zhang Ruijun	54	—	—	—	54
Ding Xiangqian	54	—	—	—	54
<b>General manager (chief executive)</b>					
Wei Daisen (Note vi)	—	1,098	168	206	1,472
<b>Total</b>	<b>216</b>	<b>4,938</b>	<b>542</b>	<b>549</b>	<b>6,245</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

For the year ended 31 December 2024

	Fees RMB'000	Salaries and other benefits RMB'000	Other emoluments Retirement benefits scheme contributions RMB'000	Share-based payment RMB'000	Total RMB'000
<b>Executive directors</b>					
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
<b>Non-executive director</b>					
Li Chunxiang	—	—	—	—	—
<b>Independent non-executive directors</b>					
Wong Lit Chor, Alexis	110	—	—	—	110
Zhang Ruijun	55	—	—	—	55
Ding Xiangqian	55	—	—	—	55
<b>General manager (chief executive)</b>					
Wei Daisen	—	2,515	167	413	3,095
Total	220	10,741	549	1,102	12,612

Notes:

- i. Zhao Zhen appointed as executive director on 1 February 2024 and resigned as executive director on 9 January 2026, subsequently to the year ended 31 December 2025.
- ii. Wang Xingshan resigned as executive director on 1 February 2024.
- iii. The executive directors' emoluments shown above were 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 for their services as directors of the Company.
- v. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.
- vi. Wei Daisen appointed as executive director on 9 January 2026, subsequently to the year ended 31 December 2025.

During the year ended 31 December 2025, 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) (2024: nil).

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 2025

### 12. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the Group, three (2024: 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 (2024: two) highest paid individuals were as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other benefits	2,779	4,349
Share-based payment	270	577
Retirement benefit scheme contributions	192	186
	<u>3,241</u>	<u>5,112</u>

Their remuneration were within the following bands:

	2025 No. of employees	2024 No. of employees
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$3,000,001 to HK\$3,500,000	—	1
	<u>2</u>	<u>2</u>

During the year ended 31 December 2025, no share options were granted to non-director and non-chief executive highest paid individuals (2024: Nil).

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 13. DIVIDENDS

	2025 RMB'000	2024 RMB'000
2024 Final – HK\$0.08 (2024: 2023 final dividend HK\$0.03) per share	<b>83,209</b>	31,250

Subsequent to the end of the reporting period, a final dividend of HK\$0.04 in respect of the year ended 31 December 2025 (2024: HK\$0.08) per ordinary share, amounting to HK\$48,874,000, equivalent to approximately RMB43,017,000 (2024: HK\$91,354,000, equivalent to approximately RMB83,209,000) 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:

	2025 RMB'000	2024 RMB'000
<b>Earnings</b>		
Profit for the year attributable to the owners of the Company	<b>237,546</b>	384,705

	2025 '000	2024 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,153,674</b>	1,141,920
Effect of dilutive potential ordinary shares arising from the outstanding share options	<b>7,199</b>	253
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,160,873</b>	1,142,173

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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	Total RMB'000
<b>COST</b>						
At 1 January 2024	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	<b>240,170</b>	<b>85,091</b>	<b>15,807</b>	<b>74,450</b>	<b>21,921</b>	<b>437,439</b>
Additions	—	4,284	9,487	4,782	14,865	33,418
Transfer from investment properties	151,919	—	—	—	—	151,919
Disposals/written off	—	(4,304)	(12)	(97)	(3,135)	(7,548)
Exchange adjustments	(316)	—	—	—	—	(316)
At 31 December 2025	<b>391,773</b>	<b>85,071</b>	<b>25,282</b>	<b>79,135</b>	<b>33,651</b>	<b>614,912</b>
<b>DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2024	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	<b>39,497</b>	<b>72,570</b>	<b>9,392</b>	<b>42,689</b>	<b>15,632</b>	<b>179,780</b>
Charge for the year	7,437	8,749	3,268	983	14,656	35,093
Eliminated on disposals/written off	—	(4,214)	(1)	(39)	(2,358)	(6,612)
Exchange adjustments	(123)	—	—	—	—	(123)
At 31 December 2025	<b>46,811</b>	<b>77,105</b>	<b>12,659</b>	<b>43,633</b>	<b>27,930</b>	<b>208,138</b>
<b>CARRYING VALUES</b>						
At 31 December 2025	<u>344,962</u>	<u>7,966</u>	<u>12,623</u>	<u>35,502</u>	<u>5,721</u>	<u>406,774</u>
At 31 December 2024	<u>200,673</u>	<u>12,521</u>	<u>6,415</u>	<u>31,761</u>	<u>6,289</u>	<u>257,659</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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 <sup>1</sup> / <sub>3</sub> %

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
<b>FAIR VALUE</b>	
At 1 January 2024	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	<b>781,794</b>
Transfer to property, plant and equipment	<b>(151,919)</b>
Changes in fair value of investment properties	<b>(100,313)</b>
Exchange adjustments	<b>(463)</b>
At 31 December 2025	<b>529,099</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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 2025 was approximately RMB529,099,000 (2024: RMB781,794,000). 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 2025 and 2024 are as follows:

	2025		2024	
	Level 3 RMB'000	Fair value RMB'000	Level 3 RMB'000	Fair value RMB'000
Commercial property units located				
– Hong Kong (Note)	—	—	18,817	18,817
– Jinan (Note)	237,171	237,171	376,200	376,200
– Beijing - Tianyuan Network	287,293	287,293	381,900	381,900
– Changsha - Zhengzhou Hualiang	2,334	2,334	2,427	2,427
– Changchun - Zhengzhou Hualiang	2,301	2,301	2,450	2,450
	<b>529,099</b>	<b>529,099</b>	<b>781,794</b>	<b>781,794</b>

Note: During the year ended 31 December 2025, office premises with carrying amount of approximately RMB151,919,000 (2024:RMB5,321,000) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 16. INVESTMENT PROPERTIES (continued)

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

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Office premises located in Jinan	Level 3	Income capitalisation approach Key inputs are: – Capitalisation rates – Market rent of comparable properties	Key and unobservable inputs are: – Capitalisation rate: 6% (2024: 6%) – Market rent of comparable properties monthly amounts RMB60 (2024: RMB66) per square meter, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the capitalisation rate, the lower the fair value. – The higher the market rent, the higher the fair value.
Office premises located in Beijing - Tianyuan Network	Level 3	Income capitalisation approach Key inputs are: – Capitalisation rates – Market rent of comparable properties	Key and unobservable inputs are: – Capitalisation rate: 5% -6% (2024: 5% -6%) – Market rent of comparable properties monthly amounts of RMB70 (2024: RMB123) per square meter for office building and RMB600 (2024: RMB600) for every parking lot, by taking accounts of the accessibility, size, locations and condition and environment of properties	– The higher the capitalisation rate, the lower the fair value. – The higher the market rent, the higher the fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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 Changsha - Zhengzhou Hualiang	Level 3	Comparative approach Key input is recent market prices of comparable properties	Key and unobservable input is recent market unit rate of comparable properties, by taking accounts of the accessibility, size, locations and condition and environment of properties	- The higher the market price, the higher the fair value.
Office premises located in Changchun - Zhengzhou Hualiang	Level 3	Comparative approach Key input is recent market prices of comparable properties	Key and unobservable input is recent market unit rate of comparable properties, by taking accounts of the accessibility, size, locations and condition and environment of properties	- The higher the market price, the higher the fair value
Office premises located in Hong Kong	Level 3	Comparative approach Key input is recent market prices of comparable properties	Key and unobservable input is recent market unit rate of comparable properties, by taking accounts of the accessibility, size, locations and condition and environment of properties	- The higher the market price, the higher the fair value

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
Carrying amount at 1 January 2024	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 amount at 31 December 2024	24,365	23,503	47,868
Additions	—	3,455	3,455
Depreciation charge	(732)	(13,500)	(14,232)
Carrying amount at 31 December 2025	<b>23,633</b>	<b>13,458</b>	<b>37,091</b>

	2025 RMB'000	2024 RMB'000
Expense relating to short-term leases	45,130	22,060
Total cash outflow for leases	<b>53,157</b>	<b>43,144</b>

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 2025, the Group entered into a number of renewal lease agreements in respect of renting properties and recognised right-of-use assets of RMB3,455,000 (2024: RMB15,355,000) and lease liabilities of RMB3,455,000 (2024: RMB15,355,000).

### Restrictions or covenants on leases

Lease liabilities of RMB11,960,000 (2024: RMB15,813,000) are recognised with related right-of-use assets of RMB13,458,000 (2024: RMB23,503,000) as at 31 December 2025. The lease agreements do not impose any covenants other than the security interests in the leased properties that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 18. OTHER INTANGIBLE ASSETS

	Software RMB'000	Customers base RMB'000	Copyrights and trademarks RMB'000	Total RMB'000
<b>COST</b>				
At 1 January 2024	110,623	50,694	5,419	166,736
Additions	57,436	—	—	57,436
At 31 December 2024	<b>168,059</b>	<b>50,694</b>	<b>5,419</b>	<b>224,172</b>
Additions	<b>174,488</b>	—	—	<b>174,488</b>
At 31 December 2025	<b>342,547</b>	<b>50,694</b>	<b>5,419</b>	<b>398,660</b>
<b>ACCUMULATED AMORTISATION</b>				
At 1 January 2024	76,995	50,694	5,419	133,108
Charge for the year	18,038	—	—	18,038
At 31 December 2024	<b>95,033</b>	<b>50,694</b>	<b>5,419</b>	<b>151,146</b>
Charge for the year	<b>26,233</b>	—	—	<b>26,233</b>
At 31 December 2025	<b>121,266</b>	<b>50,694</b>	<b>5,419</b>	<b>177,379</b>
<b>CARRYING AMOUNTS</b>				
At 31 December 2025	221,281	—	—	221,281
At 31 December 2024	73,026	—	—	73,026

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 19. INTEREST IN AN ASSOCIATE

	2025 RMB'000	2024 RMB'000
Cost of investments in an associate – unlisted	420,000	420,000
Share of post-acquisition profits, net of capital refunds and dividends received	49,176	36,654
	<b>469,176</b>	<b>456,654</b>

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
			2025	2024	2025	2024	
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

# The English name of the associate is for identification purpose only.

### 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 HKFRS Accounting Standards. The associate is accounted for using the equity method in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

**19. INTEREST IN AN ASSOCIATE** (continued)**Inspur Finance**

	2025 RMB'000	2024 RMB'000
Current assets	4,944,317	5,587,522
Non-current assets	8,563,085	8,067,182
Current liabilities	(11,121,479)	(11,366,765)
Non-current liabilities	(40,043)	(4,669)
Revenue	300,720	309,264
Profit and total comprehensive income for the year	62,610	57,212

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:

	2025 RMB'000	2024 RMB'000
Net assets of Inspur Finance	2,345,880	2,283,270
Proportion of the Group's ownership interest in Inspur Finance	20%	20%
The Group's share of net assets of Inspur Finance	469,176	456,654

**20. INTEREST IN A JOINT VENTURE**

	2025 RMB'000	2024 RMB'000
Cost of investment in a joint ventures - unlisted	150,000	150,000
Share of post-acquisition gains (losses)	(8,483)	(12,386)
	141,517	137,614



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

**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 interests in the joint venture recognised in the consolidated financial statements is set out below:

	2025 RMB'000	2024 RMB'000
Net assets attributable to owners of the Inspur Cloud	424,592	412,883
Proportion of the Group's ownership interest in Inspur Cloud	33.33%	33.33%
Carrying amount of the Group's interest in Inspur Cloud	<u>141,517</u>	<u>137,614</u>

**21. INVENTORIES**

	2025 RMB'000	2024 RMB'000
Computer equipment and software products	<u>691</u>	<u>2,816</u>

**22. TRADE AND BILLS RECEIVABLES**

	2025 RMB'000	2024 RMB'000
Trade and bills receivables	3,011,243	3,310,183
Less: Allowance for impairment losses	<u>(254,795)</u>	<u>(168,861)</u>
	<u>2,756,448</u>	<u>3,141,322</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 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:

	2025 RMB'000	2024 RMB'000
0-30 days	1,123,217	1,609,251
31-60 days	303,577	429,004
61-90 days	156,932	162,446
91-120 days	81,259	125,933
121-180 days	267,027	169,652
Over 180 days	824,436	645,036
	<b>2,756,448</b>	<b>3,141,322</b>

(a) The Group generally allows customers a credit period ranging from 0 day to 180 days.

As at 31 December 2025, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB1,633,231,000 (2024: RMB1,532,071,000) which are aged over 30 days as at the reporting date.

Among the above balances, RMB1,172,722,000 (2024: RMB940,621,000) are aged over 90 days or more and is not considered as in default as there has not been a significant change in credit quality and the amounts are considered recoverable.

Movement in the allowance for credit losses:

	2025 RMB'000	2024 RMB'000
At the beginning of year	168,861	94,381
Impairment losses recognised	126,650	99,998
Impairment losses reversed	(40,716)	(25,518)
At the end of year	<b>254,795</b>	<b>168,861</b>

Details of impairment assessment of trade and bills receivables are set out in note 38.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



### 22. TRADE AND BILLS RECEIVABLES (continued)

- (b) As at 31 December 2025, included in trade and bills receivables are bills receivables of RMB123,050,000 (2024: RMB122,389,000). In addition, there are bills receivables at FVTOCI of RMB13,053,000 (2024: RMB 10,354,000). All the bills are with a maturity period of less than 6 months.

Certain bills receivables are transferred to banks by discounting those receivables on a full recourse basis. Under these arrangements, the Group has not transferred the significant risks and rewards relating to these receivables, including the default risk of discounting bills. The Group therefore continues to recognise the discounted bills in their entirety and has recognised the cash received on the transfer as secured borrowings as stated in note 31 and 32.

As at 31 December 2024 and 2025, bills receivables discounted to banks with full recourse were as below:

	2025 RMB'000	2024 RMB'000
Bills receivables discounted to an associate with full recourse (note 31)	60,477	—
Bills receivables discounted to banks with full recourse (note 32)	49,340	—
	<u>109,817</u>	<u>—</u>

The maturity dates of bills receivables have not yet due at the end of the reporting period. As the Group still exposed to credit risk on these receivables at the end of the reporting period, the cash received from discounted bills for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

### 23. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
<b>Contract assets</b>		
Current - software development	1,807,053	1,258,872
Less: Allowance for impairment losses	(229,972)	(199,681)
	<u>1,577,081</u>	<u>1,059,191</u>
<b>Contract liabilities</b>		
Current - software development	<u>810,640</u>	<u>1,144,112</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 23. CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

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

	2025 RMB'000	2024 RMB'000
<b>Software development contracts</b>		
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>799,265</u>	<u>585,932</u>

Included in contract assets are amounts due from fellow subsidiaries of RMB 14,833,000 (2024: nil).

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.

Details of impairment assessment are set out in note 38.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



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

	2025 RMB'000	2024 RMB'000
<b>Amounts due from related companies:</b>		
<i>Trading in nature (Note 1)</i>		
Ultimate holding company	14,188	19,279
Fellow subsidiaries	727,890	593,455
	<b>742,078</b>	612,734
<i>Non-trading in nature (Note 2)</i>		
Ultimate holding company	214	449
Fellow subsidiaries	28,660	26,042
	<b>28,874</b>	26,491
	<b>770,952</b>	639,225
<b>Analysed as:</b>		
Amount due from ultimate holding company	14,402	19,728
Amounts due from fellow subsidiaries	756,550	619,497
	<b>770,952</b>	639,225

Note 1: The general credit period for the amounts due from ultimate holding company and fellow subsidiaries which are trading in nature is up to 180 days (2024: 180 days).

Note 2: 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 38.

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

At 31 December 2025, 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 0.5% to 1.25% (2024: 0% to 2.75%) per annum.

As at 31 December 2025, 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 0.5% to 1.25% (2024: 0.1% to 1.39%) per annum.

Details of impairment assessment are set out in note 38.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 26. TRADE PAYABLES

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

	2025 RMB'000	2024 RMB'000
0-60 days	1,003,831	2,079,506
61-90 days	108,420	33,887
More than 90 days	1,456,660	493,253
	<b>2,568,911</b>	<b>2,606,646</b>

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

	2025 RMB'000	2024 RMB'000
Salaries, welfare and bonus payable	311,462	551,294
Other tax payable	274,288	270,293
Others	138,966	105,727
	<b>724,716</b>	<b>927,314</b>

## 28. LEASE LIABILITIES

	2025 RMB'000	2024 RMB'000
Lease liabilities payable:		
Within one year	5,798	10,518
Within a period of more than one year but not more than two years	3,469	3,753
Within a period of more than two years but not more than five years	2,693	1,542
	<b>11,960</b>	<b>15,813</b>
Less: Amount due for settlement with 12 months shown under current liabilities	(5,798)	(10,518)
Amount due for settlement after 12 months shown under non-current liabilities	<b>6,162</b>	<b>5,295</b>

The weighted average incremental borrowing rates applied to lease liabilities range from 3.00% to 4.90% (2024: from 4.30% to 4.90%) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 29. PROVISIONS

	2025 RMB'000	2024 RMB'000
Analysed for reporting purposes as:		
Current liabilities	15,833	12,580
	2025 RMB'000	2024 RMB'000
At the beginning of year	12,580	7,910
Additional provision in the year	10,724	7,327
Utilisation of provision	(7,471)	(2,657)
At the end of year	15,833	12,580

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

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

	2025 RMB'000	2024 RMB'000
<b>Amounts due to related companies:</b>		
<i>Trading in nature (Note 1)</i>		
Ultimate holding company	43,381	843
Fellow subsidiaries	349,908	311,082
	393,289	311,925
<i>Non-trading in nature (Note 2)</i>		
Ultimate holding company	238	1,645
Fellow subsidiaries	26,325	22,114
	26,563	23,759
	419,852	335,684
<b>Analysed as:</b>		
Amount due to ultimate holding company	43,619	2,488
Amounts due to fellow subsidiaries	376,233	333,196
	419,852	335,684

Note 1: The general credit period for the amounts due to ultimate holding company and fellow subsidiaries which are trading in nature is up to 180 days (2024: 180 days).

Note 2: The amounts due to ultimate holding company and fellow subsidiaries which are non-trading in nature are unsecured, interest-free and repayable on demand.

As at 31 December 2025, included in amounts due to ultimate holding company and fellow subsidiaries are dividend payable of RMB42,551,000 and 19,215,000 (2024: nil and nil), respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 31. AMOUNT DUE TO AN ASSOCIATE

	2025 RMB'000	2024 RMB'000
Unsecured borrowings (Note i)	408,489	131,144
Discount of bills receivables (Note ii)	60,477	—
	<b>468,966</b>	<b>131,144</b>

(Note i) Unsecured borrowings carry fixed interest rate ranging from 2.5% to 2.95% (2024: 3.0% and 3.3%) per annum. As at 31 December 2025, the unsecured borrowings are repayable within one year (2024: RMB104,472,000 was repayable within one year and RMB26,672,000 was repayable more than one year but within two years).

(Note ii) The amount represents borrowings secured by the bill receivables discounted to an associate with recourse carrying interest rate ranging from 1.01% to 2.80% (2024: nil) and the amount is repayable within one year.

During the year ended 31 December 2025, the total bills receivables with recourse discounted to an associate amounted to RMB60,477,000 (2024: nil).

As at 31 December 2025, the carrying amounts of the Group's borrowings from an associate are denominated in RMB.

## 32. BORROWINGS

	2025 RMB'000	2024 RMB'000
Unsecured bank borrowings (Note i)	296,080	—
Discount of bills receivables (Note ii)	49,340	—
	<b>345,420</b>	<b>—</b>

	2025 RMB'000	2024 RMB'000
Non-current	16,870	—
Current	328,550	—
	<b>345,420</b>	<b>—</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 32. BORROWINGS (continued)

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2025 RMB'000	2024 RMB'000
Within one year	328,550	—
After one year but within two years	1,985	—
After two year but within five years	14,885	—
	<b>345,420</b>	<b>—</b>

(Note i) Bank borrowings carry fixed interest rate ranging from 2.70% to 3.00% (2024: nil) per annum. Bank borrowings are unsecured.

(Note ii) The amount represents borrowings secured by the bill receivables discounted to banks with recourse carrying interest rate ranging from 1.10% to 3.00% and the amount is repayable within one year.

During the year ended 31 December 2025, the total bills receivables with recourse discounted to banks amounted to RMB124,415,000 (2024: RMB122,100,000).

As at 31 December 2025, the carrying amounts of the Group's borrowings are denominated in RMB.

### 33. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2025 '000	2024 '000	2025 RMB'000	2024 RMB'000
Ordinary shares of HK\$0.01 each:				
Authorised				
At beginning and end of year	<b>2,000,000</b>	2,000,000	<b>15,806</b>	15,806
Issued and fully paid				
At beginning of year	<b>1,141,921</b>	1,141,921	<b>10,796</b>	10,796
Exercise of share options (Note 34)	<b>11,487</b>	—	<b>105</b>	—
Issue of share capital (Note i)	<b>67,634</b>	—	<b>615</b>	—
At end of year	<b>1,221,042</b>	1,141,921	<b>11,516</b>	10,796

(Note i) The Group have completed placing of new shares on 26 November 2025. An aggregate of 67,634,000 placing shares were issued. Gross proceed from placing of new shares amounted to approximately HK\$493,728,000 (approximately RMB449,292,000), after deduction of transactions costs of HK\$3,498,000 (approximately RMB3,183,000), net proceeds amounted to HK\$490,230,000 (approximately RMB446,109,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 34. SHARE OPTION SCHEMES

### Equity-settled share options scheme

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

At 31 December 2025, the number of share options had been granted and remained outstanding under the Option Scheme are 43,852,300 shares (2024: 30,137,100 shares) representing less than 4% (2024: less than 3%) of the issued share capital of the Company.

The total number of shares in respect of which options may be granted under the Option Scheme 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 Scheme 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 34. SHARE OPTION SCHEMES (continued)

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

#### 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.

#### 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 HK\$40,835,000 (equivalent to 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 HK\$2,304,000 (equivalent to RMB 1,998,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 34. SHARE OPTION SCHEMES (continued)

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

#### 2023 Option

On 11 January 2023, a total of 33,440,000 share options were granted to certain employees and directors 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\$4.72.

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 and the Group meeting the performance target determined by the board of the Company. All options will be vested on the first day of respective exercise period.

The estimated fair value of the options granted on 11 January 2023 is HK\$88,008,328 (equivalent to RMB76,348,000).

#### 2025 Option

On 18 December 2025, a total of 26,800,000 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\$6.59 per share. The closing price of the Company's shares immediately before the date on which such share options were granted was HK\$6.46.

All 26,800,000 share options were granted to certain employees. 40% of the share options may be exercisable from 18 December 2027, 30% of the share options may be exercisable from 18 December 2028, and the remaining 30% of the share options may be exercisable from 18 December 2029. The exercise of the options is subject to the grantees meeting the performance target and the Group 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 18 December 2025 is HK\$99,466,212 (equivalent to RMB90,260,053).

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

	2025 Option '000	2023 Option '000	2020 Option '000	2018 Option '000
Share price	HK\$6.46	HK\$4.72	HK\$2.29	HK\$3.05
Exercise price	HK\$6.59	HK\$4.72	HK\$2.29	HK\$3.16
Expected volatility	82.26%	70.89%	43.57%	46.37%
Expected life	5 years	5 years	10 years	10 years
Risk - free rate	2.60%	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 34. SHARE OPTION SCHEMES (continued)

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

Details of specific categories of options as at 31 December 2025 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
2025 Option	18 December 2025	18 December 2027 to 17 December 2028	3.65	6.59
	18 December 2025	18 December 2028 to 17 December 2029	3.84	6.59
	18 December 2025	18 December 2029 to 17 December 2030	3.95	6.59

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 2025 and 2024:

	Outstanding at 1 January 2025	Granted during the year 2025	Exercised during the year 2025	Forfeited/lapsed during the year 2025	Outstanding at 31 December 2025
2018 Option	600,000	—	(400,000)	—	200,000
2020 Option	655,100	—	(655,100)	—	—
2023 Option	28,882,000	—	(10,432,000)	(980,500)	17,469,500
2025 Option	—	26,800,000	—	(617,200)	26,182,800
	<u>30,137,100</u>	<u>26,800,000</u>	<u>(11,487,100)</u>	<u>(1,597,700)</u>	<u>43,852,300</u>
Weighted average exercise price	<u>HK\$3.39</u>	<u>HK\$6.59</u>	<u>HK\$4.53</u>	<u>HK\$5.44</u>	<u>HK\$5.83</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 34. SHARE OPTION SCHEMES (continued)

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

#### 2023 Option (continued)

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

	Outstanding at 1 January 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
	<u>33,875,100</u>	<u>(3,738,000)</u>	<u>30,137,100</u>
Weighted average exercise price	<u>HK\$4.64</u>	<u>HK\$4.72</u>	<u>HK\$3.39</u>

No share options were exercised during the year ended 31 December 2024.

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

	Outstanding at 1 January 2025	Exercised during the year 2025	Outstanding at 31 December 2025
2018 Option	600,000	(400,000)	200,000
2023 Option (note)	750,000	(150,000)	600,000
	<u>1,350,000</u>	<u>(550,000)</u>	<u>800,000</u>

	Outstanding at 1 January 2024	Exercised during the year 2024	Outstanding at 31 December 2024
2018 Option	600,000	—	600,000
2023 Option	750,000	—	750,000
	<u>1,350,000</u>	<u>—</u>	<u>1,350,000</u>

The Group recognised the total expense of approximately RMB14,594,000 for the year ended 31 December 2025 in relation to share options granted by the Company (2024: RMB22,348,000).

## 35. DEFERRED INCOME - GOVERNMENT GRANTS

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

### 35. DEFERRED INCOME - GOVERNMENT GRANTS (continued)

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

### 36. DEFERRED TAX

The following are the deferred tax liabilities 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 2024	(55,922)	(165,622)	(221,544)
(Charged) credited to profit or loss	(11,509)	6,334	(5,175)
Charged to other comprehensive income	—	56,431	56,431
At 31 December 2024	<b>(67,431)</b>	<b>(102,857)</b>	<b>(170,288)</b>
(Charged) credited to profit or loss	<b>(7,070)</b>	<b>51,081</b>	<b>44,011</b>
At 31 December 2025	<b>(74,501)</b>	<b>(51,776)</b>	<b>(126,277)</b>

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 RMB879,333,000 (2024: RMB997,118,000) as the Company controls the dividend policy of these subsidiaries and it is probable that the profits will not be distributed in the foreseeable future.

### 37. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 38. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2025 RMB'000	2024 RMB'000
<b>Financial assets</b>		
Financial assets at FVTPL	1,000	1,000
Debt instruments at FVTOCI	13,053	10,354
Financial assets at amortised cost	5,037,106	4,954,130
	<u>5,051,159</u>	<u>4,965,484</u>
<b>Financial liabilities</b>		
Amortised cost	4,253,577	3,730,495

### (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, borrowings 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 38. FINANCIAL INSTRUMENTS (continued)

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

*Market risk (continued)*

#### Currency risk (continued)

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

	Assets		Liabilities	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Relative to RMB:				
USD	17,030	90,399	1,223	5,135
HK\$	204,701	23,785	93,230	8,029
Other currencies	144,697	—	26,844	—

#### Sensitivity analysis

For the entities of which their functional currency is HK\$ while holding assets denominated in USD, the directors of the Company consider that, as HK\$ is pegged to USD, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK\$ against USD and hence only consider the sensitivity of the change in foreign exchange rate of HK\$ against currencies other than USD. The sensitivity analysis includes only outstanding monetary items which are denominated in relevant foreign currencies and adjusts its translation at the yearend for a 5% change in the relevant foreign currency exchange rates. A positive number below indicates an increase in post-tax profit for the year where the relevant foreign currencies strengthens 5% against the functional currency of each group entities. For a 5% weakening of the relevant foreign currencies against the relevant currencies, there would be an equal and opposite impact on the post-tax profit for the year. 5% (2024: 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	2025 RMB'000	2024 RMB'000
USD	593	3,197
HK\$	4,181	591
Other currencies impact	4,419	—

#### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (Note 28), amount due to an associate (Note 31) and borrowings (Note 32). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is primarily related to its bank balances and pledged bank deposits carried at prevailing market rate. In addition, the Group has concentration of interest rate risk on its floating rate bank balances which expose the Group significantly towards the change in the People's Bank of China's interest rate.

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

The directors are of the opinion that as at 31 December 2025 and 2024, any reasonable change in interest rates on bank balances and pledge bank deposits would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk arising for bank balances and pledged bank deposits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 38. FINANCIAL INSTRUMENTS (continued)

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

#### *Credit risk and impairment assessment*

As at 31 December 2025, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by the counterparties is arising from the carrying amount of those assets as stated in the consolidated statement of financial position. Credit risk is primarily attributable to trade and bills receivables, other receivables, amounts due from related parties, contract assets, pledged bank deposits and bank balances and cash.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2025 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 2025 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 38. FINANCIAL INSTRUMENTS (continued)

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

#### *Credit risk and impairment assessment (continued)*

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

	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
			2025 RMB'000	2024 RMB'000
<b>Debt instruments at FVTOCI</b>				
Debt instruments at FVTOCI	Low risk	12m ECL	<u>13,053</u>	<u>10,354</u>
<b>Financial assets at amortised cost</b>				
Trade and bills receivables	N/A (Note ii)	Lifetime ECL (provision matrix)	<u>2,992,629</u>	<u>3,294,798</u>
	Loss	Lifetime ECL - credit-impaired	<u>18,614</u>	<u>15,385</u>
			<u>3,011,243</u>	<u>3,310,183</u>
Other receivables and deposits	Low risk (Note i)	12m ECL	<u>146,212</u>	<u>144,168</u>
	Doubtful (Note i)	Lifetime ECL - not credit-impaired	<u>44,507</u>	<u>32,543</u>
	Loss	Lifetime ECL - credit-impaired	<u>4,534</u>	<u>3,410</u>
			<u>195,253</u>	<u>180,121</u>
Amounts due from related companies - non-trading (note 24)	Low risk (Note i)	12m ECL	<u>31,496</u>	<u>28,153</u>
	Doubtful (Note i)	Lifetime ECL - not credit-impaired	<u>630</u>	<u>237</u>
			<u>32,126</u>	<u>28,390</u>
Amounts due from related companies - trading (note 24)	N/A (Note ii)	Lifetime ECL (provision matrix)	<u>761,665</u>	<u>630,954</u>
	Loss	Lifetime ECL - credit-impaired	<u>—</u>	<u>4,243</u>
			<u>761,665</u>	<u>635,197</u>
Pledged bank deposits (note 25)	Low risk	12m ECL	<u>65,489</u>	<u>99,291</u>
Bank balances and cash (note 25)	Low risk	12m ECL	<u>1,257,987</u>	<u>908,405</u>
<b>Other items</b>				
Contract assets (note 23)	N/A (Note ii)	Lifetime ECL (provision matrix)	<u>1,776,900</u>	<u>1,230,055</u>
	Loss	Lifetime ECL - credit-impaired	<u>30,153</u>	<u>28,817</u>
			<u>1,807,053</u>	<u>1,258,872</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 38. FINANCIAL INSTRUMENTS (continued)

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

#### *Credit risk and impairment assessment (continued)*

Notes:

- i. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.
- ii. For trade and bills receivables, amounts due from related companies - trading in nature and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired receivables, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past-due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment because the debtors consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade and bills receivable and contract assets which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors with credit-impaired with gross carrying amounts of approximately RMB18,614,000 as at 31 December 2025 were assessed individually (2024: RMB15,385,000).

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

	2025		2024	
	Weighted average expected loss rate	Trade and bills receivable RMB'000	Weighted average expected loss rate	Trade and bills receivable RMB'000
Current and within 1 year	2.23%	2,259,109	3.56%	2,981,134
Over 1 year and within 2 years	15.06%	470,568	12.84%	289,874
Over 2 years and within 3 years	38.40%	240,392	42.83%	23,790
More than 3 years	100%	22,560	100%	—
		<u>2,992,629</u>		<u>3,294,798</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 38. FINANCIAL INSTRUMENTS (continued)

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

*Credit risk and impairment assessment (continued)*

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

	2025		2024	
	Weighted average expected loss rate	Contract assets RMB'000	Weighted average expected loss rate	Contract assets RMB'000
Current and within 1 year	6.77%	1,501,872	12.47%	1,138,523
Over 1 year and within 2 years	24.71%	227,101	29.57%	87,750
Over 2 years and within 3 years	74.74%	23,347	77.77%	3,782
More than 3 years	100%	24,580	100%	—
		<u>1,776,900</u>		<u>1,230,055</u>

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

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

	Lifetime ECL (not credit -impaired) RMB'000	Lifetime ECL (credit -impaired) RMB'000	Total RMB'000
At 1 January 2024	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	<u>153,476</u>	<u>15,385</u>	<u>168,861</u>
Impairment losses recognised	119,569	7,081	126,650
Impairment losses reversed	(36,864)	(3,852)	(40,716)
At 31 December 2025	<u>236,181</u>	<u>18,614</u>	<u>254,795</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 38. FINANCIAL INSTRUMENTS (continued)

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

*Credit risk and impairment assessment (continued)*

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 2024	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	<b>170,864</b>	<b>28,817</b>	<b>199,681</b>
Impairment losses recognised	<b>38,159</b>	<b>4,395</b>	<b>42,554</b>
Impairment losses reversed	<b>(9,204)</b>	<b>(3,059)</b>	<b>(12,263)</b>
At 31 December 2025	<b>199,819</b>	<b>30,153</b>	<b>229,972</b>

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

	12m ECL	Lifetime ECL (not credit -impaired) RMB'000	Lifetime ECL (credit -impaired) RMB'000	Total RMB'000
At 1 January 2024	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	<b>10,356</b>	<b>468</b>	<b>3,410</b>	<b>14,234</b>
Impairment losses recognised	—	<b>953</b>	<b>1,661</b>	<b>2,614</b>
Impairment loss reversed	<b>(7,182)</b>	<b>(106)</b>	<b>(537)</b>	<b>(7,825)</b>
At 31 December 2025	<b>3,174</b>	<b>1,315</b>	<b>4,534</b>	<b>9,023</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 38. FINANCIAL INSTRUMENTS (continued)

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

#### *Credit risk and impairment assessment (continued)*

The following table shows 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 2024	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	<b>18,220</b>	<b>4,243</b>	<b>22,463</b>
Impairment losses recognised	<b>10,355</b>	<b>32</b>	<b>10,387</b>
Impairment losses reversed	<b>(8,988)</b>	<b>(4,275)</b>	<b>(13,263)</b>
At 31 December 2025	<b>19,587</b>	<b>—</b>	<b>19,587</b>

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

	12m ECL RMB'000	Lifetime ECL (not credit -impaired) RMB'000	Total RMB'000
At 1 January 2024	1,272	233	1,505
Impairment losses recognised	390	4	394
Impairment losses reversed	—	—	—
At 31 December 2024	<b>1,662</b>	<b>237</b>	<b>1,899</b>
Impairment losses recognised	<b>1,051</b>	<b>393</b>	<b>1,444</b>
Impairment losses reversed	<b>(91)</b>	<b>—</b>	<b>(91)</b>
At 31 December 2025	<b>2,622</b>	<b>630</b>	<b>3,252</b>

Note:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 38. FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains adequate cash and cash equivalents by continuously monitoring forecast and actual cash flows and matching the maturity profiles of certain financial assets (including trade and bills receivables, other receivables, amounts due from ultimate holding company and fellow subsidiaries, pledged bank deposits and bank balances and cash) and certain financial liabilities (including trade payables, other payables, borrowings 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 2025
							RMB'000
<b>2025</b>							
Trade payables	—	2,162,989	200,122	205,800	—	2,568,911	2,568,911
Other payables	—	411,894	23,709	14,825	—	450,428	450,428
Amount due to ultimate holding company	—	43,619	—	—	—	43,619	43,619
Amounts due to fellow subsidiaries	—	376,233	—	—	—	376,233	376,233
Amount due to an associate	1.01-2.95	182,930	84,271	212,173	—	479,374	468,966
Borrowings	1.10-3.00	54,874	280,171	992	18,479	354,516	345,420
Lease liabilities	3.00-4.90	1,584	1,659	3,064	6,468	12,775	11,960
		<u>3,234,123</u>	<u>589,932</u>	<u>436,854</u>	<u>24,947</u>	<u>4,285,856</u>	<u>4,265,537</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 38. 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 2024 RMB'000
<b>2024</b>							
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	3.00-3.30	1,842	113,491	—	27,646	142,979	131,144
Lease liabilities	4.30-4.90	4,086	3,524	5,758	5,358	18,726	15,813
		<u>3,089,674</u>	<u>239,192</u>	<u>399,186</u>	<u>33,004</u>	<u>3,761,056</u>	<u>3,746,308</u>

## (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		Fair value hierarchy	Valuation techniques and key inputs
	2025 RMB'000	2024 RMB'000		
Financial assets at FVTPL	1,000	1,000	Level 2	Net assets value of the underlying investment
Debt instruments at FVTOCI	13,053	10,354	Level 2	Fair values are estimated based on the present value of the contracted cash inflow at the discount rate that reflects the market credit risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings 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 2024	—	(146,001)	(17,369)	(338)	(20,182)	(183,890)
Financing cash flows:						
Proceeds received from advances						
on discounted bills	(122,100)	—	—	—	—	(122,100)
Proceeds received from bank borrowings	(350,444)	—	—	—	—	(350,444)
Maturity of discounted bills	122,100	—	—	—	—	122,100
Repayments of bank borrowings	350,444	—	—	—	—	350,444
Interest paid	4,765	3,132	—	—	1,360	9,257
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	—	(131,144)	(22,114)	(1,645)	(15,813)	(170,716)
Financing cash flows:						
Proceeds received from advances						
on discounted bills	(124,415)	(60,477)	—	—	—	(184,892)
Proceeds received from bank borrowings	(626,154)	—	—	—	—	(626,154)
Maturity of discounted bills	75,075	—	—	—	—	75,075
Repayments of bank borrowings	330,074	—	—	—	—	330,074
Interest paid	14,740	8,709	—	—	719	24,168
Repayments of lease liabilities	—	—	—	—	7,308	7,308
Repayment to ultimate holding company	—	—	—	1,407	—	1,407
Received from fellow subsidiaries	—	—	(4,211)	—	—	(4,211)
Repayment to an associate	—	131,144	—	—	—	131,144
Borrowings from an associate	—	(408,489)	—	—	—	(408,489)
Non-cash changes:						
New leases entered	—	—	—	—	(3,455)	(3,455)
Interest expenses	(14,740)	(8,709)	—	—	(719)	(24,168)
At 31 December 2025	(345,420)	(468,966)	(26,325)	(238)	(11,960)	(852,909)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 40. OPERATING LEASES

### The Group as lessor

Property rental income earned during the year was RMB25,622,000 (2024: RMB43,331,000). 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:

	2025 RMB'000	2024 RMB'000
Within one year	23,553	14,261
In the second year	9,880	13,800
In the third year	10,180	—
	<u>43,613</u>	<u>28,061</u>

## 41. RETIREMENT BENEFITS SCHEMES

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

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

The total contributions in respect of the current period charged to consolidated statement of profit or loss amounted to approximately RMB361,122,000 (2024: RMB325,659,000).

During the years ended 31 December 2025 and 2024, 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 2025 and 2024 under the schemes which may be used by the Group to reduce the contribution payable in future years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

## 42. RELATED PARTY TRANSACTIONS/BALANCES

Apart from the amounts due from and to related parties as disclosed in notes 23, 24 and 30, respectively, the Group had entered into the following related party transactions during the year:

	Ultimate holding company		Fellow subsidiaries		Associate	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Sales of goods	9,525	76,967	558,579	469,125	—	—
Services income	—	—	634,712	658,870	—	—
Property rental and related management service income	8,541	10,316	11,239	30,879	—	—
Interest income	—	—	—	—	2,761	3,109
Purchase of goods	1,431	—	533,048	456,090	—	—
Sales commission expenses	—	—	6,347	—	—	—
Property rental and related management service expenses	97	5	22,879	16,577	—	—
Travelling expenses	—	—	25,158	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.

During the year ended 2025, the Group made sales and purchases of foreign currencies transactions with an aggregate amount of USD8,147,000, equivalent to RMB58,195,000 (2024: USD73,560,000, equivalent to RMB523,872,000), with Inspur Finance, an associate of the Group.

As of 31 December 2025, the balances of loan facility withdrawn from an associate, Inspur Finance, were RMB468,966,000 (2024: RMB131,144,000).

As of 31 December 2025, the balances of cash and cash equivalent deposited to an associate, Inspur Finance, were RMB893,471,000 (2024: RMB334,115,000).

### Compensation of key management personnel

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025



## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Company at 31 December 2025 and 2024 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
				2025	2024	2025		2024		
						Directly	Indirectly	Directly	Indirectly	
Inspur Shandong Electronics Information Limited 浪潮(山東)電子信息有限公司	Wholly foreign owned enterprises	PRC	Capital contribution	USD105,092,000	USD90,675,000	100%	—	—	100%	Investment holding
Shandong Inspur Digital Services Co., Ltd. 山東浪潮數字服務有限公司	DLLC	PRC	Capital contribution	RMB172,637,000	RMB172,637,000	—	92.68%	—	92.68%	Provision of other software services software development services and trading of computer products
Inspur Generisoft 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 Limited 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. 山東浪潮易雲在線科技有限公司	DLLC	PRC	Capital contribution	RMB29,680,000	RMB29,680,000	—	60.85%	—	60.85%	Software development
Inspur Haiyue Cloud Technology (Shenzhen) Co., Ltd. 浪潮海岳雲技術(深圳)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 Limited 濟南浪潮銘達信息科技有限公司	DLLC	PRC	Capital contribution	RMB200,000,000	RMB200,000,000	—	100%	—	100%	Holding of investment property
Inspur Communications Information System Co., Ltd 浪潮通信信息系統有限公司	DLLC	PRC	Capital contribution	RMB310,000,000	RMB250,000,000	—	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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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

### Statement of financial position

	2025 RMB'000	2024 RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	23,891	6,213
Investment properties	—	18,817
Investments in subsidiaries (Note i)	1,941,891	662,696
Amounts due from subsidiaries	—	724,199
	<u>1,965,782</u>	<u>1,411,925</u>
<b>Current assets</b>		
Amounts due from fellow subsidiaries	8	13
Amounts due from subsidiaries	451,523	8,158
Other receivables	626	—
Bank balances	103,399	11,083
	<u>555,556</u>	<u>19,254</u>
<b>Current liabilities</b>		
Other payables	7,118	9,548
Amount due to ultimate holding company	42,551	—
Amounts due to fellow subsidiaries	19,288	—
Amounts due to subsidiaries	71,384	326
	<u>140,341</u>	<u>9,874</u>
<b>Net current assets</b>	<u>415,215</u>	<u>9,380</u>
<b>Total assets less current liabilities</b>	<u>2,380,997</u>	<u>1,421,305</u>
<b>Non-current liabilities</b>		
Deferred tax liability	4,970	—
Amounts due to subsidiaries	—	95,909
	<u>4,970</u>	<u>95,909</u>
<b>Net assets</b>	<u>2,376,027</u>	<u>1,325,396</u>
<b>Capital and reserves</b>		
Share capital (note 33)	11,516	10,796
Reserves	2,364,511	1,314,600
<b>Total equity</b>	<u>2,376,027</u>	<u>1,325,396</u>

(Note i) As at 31 December 2025, accumulated impairment of approximately RMB82,309,000 (2024: nil) is recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

**44. 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 2024	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 34)	—	22,348	22,348
At 31 December 2024	10,796	1,314,600	1,325,396
Profit for the year and total comprehensive income	—	630,465	630,465
Placement of new shares	615	448,677	449,292
Transaction costs attributable to issue of shares	—	(3,183)	(3,183)
Dividend recognised as distribution	—	(83,209)	(83,209)
Exercise of share options	105	42,567	42,672
Recognition of equity-settled share-based payment (note 34)	—	14,594	14,594
At 31 December 2025	<b>11,516</b>	<b>2,364,511</b>	<b>2,376,027</b>

# FINANCIAL SUMMARY

	For the year ended 31 December				2025 RMB'000
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	
<b>RESULTS</b>					
Revenue	3,250,401	6,966,590	8,294,446	8,200,805	<b>7,308,014</b>
(Loss) profit before tax	49,943	148,640	278,664	480,391	<b>216,926</b>
Income tax credit (expense)	2,571	(23,831)	(68,239)	(86,750)	<b>23,682</b>
(Loss) profit for the year	52,514	124,809	210,425	393,641	<b>240,608</b>
(Loss) profit for the year attributable to:					
– Owners of the Company	53,761	118,690	201,630	384,705	<b>237,546</b>
– Non-controlling interests	(1,247)	6,119	8,795	8,936	<b>3,062</b>
	52,514	124,809	210,425	393,641	<b>240,608</b>

	At 31 December				2025 RMB'000
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	
<b>ASSETS AND LIABILITIES</b>					
Total assets	3,895,514	4,818,029	6,324,419	8,104,796	<b>8,798,973</b>
Total liabilities	(2,138,816)	(2,940,062)	(4,226,748)	(5,520,049)	<b>(5,558,858)</b>
	1,756,698	1,877,967	2,097,671	2,584,747	<b>3,240,115</b>
<b>TOTAL EQUITY</b>					
Equity attributable to owners of the Company	1,719,157	1,837,635	2,047,564	2,512,231	<b>3,167,877</b>
Non-controlling interests	37,541	40,332	50,107	72,516	<b>72,238</b>
	1,756,698	1,877,967	2,097,671	25,854,747	<b>3,240,115</b>

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