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If you have sold or transferred all your shares in Brainhole Technology Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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BRAINHOLE
TECHNOLOGY
BRAINHOLE TECHNOLOGY LIMITED
脑洞科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2203)

**MAJOR TRANSACTION IN RELATION TO
ACQUISITION OF LISTED SECURITIES**

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 3 to 10 of this circular.

This circular is being despatched to the Shareholders for information only. The Acquisition of Inspur Shares has been approved by the written approval pursuant to Rule 14.44 of the Listing Rules. The Company is exempted from convening a shareholders’ meeting for the approval of the Acquisition of Inspur Shares.

24 May 2024

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix I — Financial Information of the Group	I-1
Appendix II — Financial Information of Inspur	II-1
Appendix III — Management Discussion and Analysis of Inspur	III-1
Appendix IV — Unaudited Pro Forma Financial Information of the Group Following the Acquisition and Disposal of Inspur Shares	IV-1
Appendix V — General Information	V-1

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition of Inspur Shares”	acquisition of 305,000 Inspur Shares by the Company as disclosed in the announcement dated 7 March 2024
“Board”	the board of Directors
“Company”	Brainhole Technology Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2203)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal of Inspur Shares”	disposal of 201,000 Inspur Shares by the Company as disclosed in the announcement dated 22 March 2024
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons and is not acting in concert (as defined in the Codes on Takeovers and Mergers and Share Buy-backs) with any of the connected persons of the Company or any of their respective associates (as defined under the Listing Rules)
“Inspur”	IEIT SYSTEMS Co., Ltd. (浪潮電子信息產業股份有限公司, formerly known as Inspur Electronic Information Industry Co., Ltd.), a PRC joint-stock company whose domestic shares are listed on the Shenzhen Stock Exchange (stock code: 000977.SZ)
“Inspur Group”	Inspur and its subsidiaries
“Inspur Share(s)”	Domestic share(s) of Inspur

DEFINITIONS

“Latest Practicable Date”	14 May 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Previous Announcements”	the announcements of the Company dated 7 March 2024 and 22 March 2024 in relation to, inter alia, the Acquisition of Inspur Shares and the Disposal of Inspur Shares respectively
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

LETTER FROM THE BOARD

BRAINHOLE
TECHNOLOGY
BRAINHOLE TECHNOLOGY LIMITED
脑洞科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2203)

Executive Directors:

Mr. Zhang Liang Johnson (*Chairman*)
Ms. Wan Duo

Independent Non-executive Directors:

Mr. Xu Liang
Mr. Chen Johnson Xi
Ms. Zhang Yibo

Registered office:

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Principal place of business

in Hong Kong:
Suites 1801-03, 18/F
One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

24 May 2024

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO
ACQUISITION OF LISTED SECURITIES**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 March 2024, in relation to the Acquisition of Inspur Shares.

The purpose of this circular is to provide you with (i) the details of the Acquisition of Inspur Shares; and (ii) further information required to be disclosed under the Listing Rules.

LETTER FROM THE BOARD

ACQUISITION OF INSPUR SHARES

On 7 March 2024, the Company has acquired of an aggregate of 305,000 Inspur Shares through the open market at an aggregate consideration of approximately RMB12.9 million (equivalent to approximately HK\$14.2 million) (excluding transaction costs). The average price (excluding transaction costs) for the acquisition of each Inspur Share was approximately RMB42.18 (equivalent to approximately HK\$46.47). The aggregate consideration of approximately RMB12.9 million (equivalent to approximately HK\$14.2 million) (excluding transaction costs) was financed by the Group's existing internal financial resources.

As the Acquisition of Inspur Shares was conducted in the open market, the identities of the counterparties of the acquired Inspur Shares cannot be ascertained. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the counterparties and the ultimate beneficial owner(s) of the counterparties of the acquired Inspur Shares are Independent Third Parties.

As at the Latest Practicable Date, following the completion of all transactions contemplated under the Acquisition of Inspur Shares and the Disposal of Inspur Shares (for the avoidance of doubt, the Company had already complied with the discloseable transaction requirements in respect of this transaction as disclosed in the relevant Previous Announcements), the Company is interested in 104,000 Inspur Shares (representing approximately 0.007% of the total issued share capital of Inspur). The Company had already complied with the discloseable transaction requirements in respect of the acquisition and disposal of Inspur Shares as disclosed in the relevant Previous Announcements and the balance of such acquisition and disposal which were conducted within a 12-month period from the Acquisition of Inspur Shares were aggregated with the Disposal of Inspur Shares.

INFORMATION ON THE COMPANY

The Company is an investment holding company and the Group is principally engaged in the manufacture and trading of electronic and electrical parts and components. The Group operates its business through three segments: (i) The Manufacturing segment is engaged in the sale of electronics and electrical parts and components produced by the Company. The products manufactured by the Company are mainly applied in smart consumer electronic devices; (ii) The Broadband Infrastructure and Smart Domain segment is engaged in the provision of broadband infrastructure construction services, broadband promotion services, and smart domain solutions; and (iii) The Trading segment is engaged in the trading of electronic and electrical parts and components sourced from third party suppliers.

INFORMATION ON INSPUR

Inspur is a PRC leading cloud computing and big data service provider. Its main business involves developing, manufacturing and marketing computing equipment, software, cloud computing services, big data, key application hosts, servers, storage, artificial intelligence and enterprise resource planning. It has provided IT products and services to more than 120 countries and regions around the world.

LETTER FROM THE BOARD

The following financial information is extracted from the published documents of the Inspur Group:

	For the year ended		For the year ended		For the year ended	
	31 December 2021		31 December 2022		31 December 2023	
	(audited)		(audited)		(audited)	
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Revenue	67,047,552	73,752,307	69,525,458	76,478,004	65,866,588	72,453,247
Profit before income tax	2,159,554	2,375,509	2,159,950	2,375,946	1,826,922	2,009,614
Profit for the year	2,029,930	2,232,923	2,055,669	2,261,235	1,795,828	1,975,410
Profit attributable to owners of the Company	2,002,738	2,203,012	2,080,351	2,288,386	1,782,784	1,961,062

Based on Inspur's published documents, the Inspur Group has an audited consolidated net assets value of approximately RMB46,208 million (equivalent to approximately HK\$50,829 million) as at 31 December 2021, approximately RMB41,013 million (equivalent to approximately HK\$45,114 million) as at 31 December 2022 and approximately RMB48,120 million (equivalent to approximately HK\$52,932 million) as at 31 December 2023.

FINANCIAL EFFECT OF THE ACQUISITION OF INSPUR SHARES

Acquisition of Inspur Shares

The Acquisition of Inspur Shares was accounted for as financial assets at fair value through profit or loss in the consolidated financial statements of the Group. The Acquisition of Inspur Shares was initially recognised at fair value in the consolidated statement of financial position of the Group. Any fair value gain or loss arising from the Acquisition of Inspur Shares will be recognised in the consolidated statement of profit and loss of the Group at the end of each reporting period.

As the Acquisition of Inspur Shares was financed by internally generated funds, the assets and liabilities of the Group are expected to remain unchanged.

Save as disclosed above, there will be no immediate material effect on the earnings and assets and liabilities of the Group associated with the Acquisition of Inspur Shares.

It should be noted that the above financial effects of the Acquisition of Inspur Shares are for illustrative purposes only. The actual impact of the Acquisition of Inspur Shares to be recognised by the Group will be subject to final audit by the Company's auditors.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION OF INSPUR SHARES

The Group is principally engaged in the manufacturing and trading of semiconductors, broadband infrastructure construction and the provision of integrated solution for smart domain application (including smart home, smart campus and smart communities).

The Group believes that technological innovation is an important engine for future economic development, and it can also drive the emerging applications in the smart living sector. The Group always hopes to leverage our own advantages in the field of smart technology to actively diversify the investments in the field of innovative technologies, in order to facilitate the technological development and create greater value for the Shareholders.

Inspur is a PRC leading cloud computing and big data service provider. The Board holds positive views towards the financial performance and future prospect of Inspur. At the relevant times, the Group considered that the Acquisition of Inspur Shares represents a good opportunity to acquire attractive investment and to expand its investment portfolio with quality assets, which would enhance investment return for the Group.

As the Acquisition of Inspur Shares was made in the open market at prevailing market prices, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition of Inspur Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Acquisition of Inspur Shares

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisition of Inspur Shares exceeds 25% but is less than 100%, the Acquisition of Inspur Shares constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Waiver from strict compliance with Rule 14.67(6)(a)(i) and Rule 14.67(7) of the Listing Rules

Pursuant to Rules 14.67(6)(a)(i) and 14.67(7) of the Listing Rules, the Company is required to include in this circular an accountant's report on Inspur which is prepared in accordance with Chapter 4 of the Listing Rules and a discussion and analysis on results of Inspur covering all those matters set out in paragraph 32 of Appendix D2 to the Listing Rules for the period reported in such accountant's report.

LETTER FROM THE BOARD

As the Company considers that the strict compliance with Rules 14.67(6)(a)(i) and 14.67(7) of the Listing Rules would be unduly burdensome, the Company has applied for waiver from strict compliance of the aforesaid Listing Rules on the following grounds:

- (a) The Acquisition of Inspur Shares is part of the Group's strategic investments business, and the Group may make appropriate investment opportunities as and when appropriate, including but not limited to acquisition(s) and disposal(s) of listed equity securities. Subsequent to the Acquisition of Inspur Shares, the percentage of Inspur Shares held by the Company would be approximately 0.021%. The Company also does not have any board seats in Inspur. It is submitted that the Company's minority interest in Inspur is minimal and insignificant to exert any form of control over Inspur.
- (b) Inspur, being a listed company incorporated in the PRC, has its financial results prepared in accordance with China Accounting Standards for Business Enterprise. Inspur had been publishing financial information to the market on a regular basis to enable investors to assess its activities and financial position. Inspur is listed on the Shenzhen Stock Exchange and its financial disclosures are subject to supervision by the relevant regulatory authorities.
- (c) Following the Acquisition of Inspur Shares, Inspur will not become a subsidiary or an associate of the Company and the financial results of Inspur will not be consolidated in the financial statements of the Group nor be equity accounted for in the Group's consolidated financial statements as an associate. Requiring the Company to arrange for an accountants' report on Inspur will be out of proportion to the size of each of the Acquisition of Inspur Shares in terms of time and costs involved.
- (d) As the Acquisition of Inspur Shares was a transaction made in the open market, Inspur was not obliged to assist the Company to prepare the accountants' report on it for the Acquisition of Inspur Shares. In addition, the Company does not have access to Inspur's books and records to prepare the accountants' report on it in accordance with the Listing Rules.
- (e) The preparation of the accountants' report under Rule 14.67(a)(i) of the Listing Rules for inclusion in the circular would require converting the financial information of Inspur based on the Hong Kong Financial Reporting Standards. Even assuming Inspur is prepared to provide extensive access to its accounting records and provide explanations in relation to the same, the Company considers that it would be unduly onerous to require the Company to set out an accountants' report of Inspur in its circular as the auditors of the Company would have to carry out audit procedures on Inspur, which would not provide meaningful information to the Shareholders given the above.

LETTER FROM THE BOARD

- (f) The Company's reporting accountant considers that the accounting policies of Inspur, i.e. China Accounting Standards for Business Enterprise, are materially consistent with the accounting policies of the Company, i.e. Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.
- (g) Inspur, being a listed company incorporated in the PRC, is required to publish its audited financial statements, on a regular basis, for each financial year, on its website. Inspur has its financial results audited by Shandong Hexin Certified Public Accountants LLP (Special General Partnership) and prepared in accordance with the China Accounting Standards for Business Enterprise. Inspur had been publishing financial information to the market on a regular basis to enable investors to assess its activities and financial position, and such filings can be easily obtained by the Shareholders and will enable them and potential investors to make a properly informed assessment of Inspur.
- (h) As stated in the reasons set out in points (c) and (g) above, the Company could not access the books and records of Inspur and Inspur was not prepared to disclose any additional financial information. Thus, the Company were not able to prepare the discussion and analysis of results of Inspur for the incorporation into this circular. In addition, the Company could not express any view as to the truth, accuracy or completeness on the discussion and analysis of the results of Inspur as stated in its published information.

In light of the above, the Company considers that strict compliance with requirements under Rules 14.67(6)(a)(i) and 14.67(7) of the Listing Rules would be unduly burdensome and impractical, and a relaxation of such requirements would unlikely result in undue risks to the Shareholders and potential investors of the Company.

Alternative disclosures

The Company has included the following information in this circular as alternative disclosures to an accountants' report required under Rule 14.67(6)(a)(i) of the Listing Rules and a management discussion and analysis required under Rule 14.67(7) of the Listing Rules:

- (a) the annual audited consolidated financial statements of Inspur for the year ended 31 December 2021 as extracted from the published documents of Inspur, which is set out on page II-2 to II-170 in Appendix II to this circular;
- (b) the annual audited consolidated financial statements of Inspur for the year ended 31 December 2022 as extracted from the published documents of Inspur, which is set out on page II-171 to II-351 in Appendix II to this circular;
- (c) the annual audited consolidated financial statements of Inspur for the year ended 31 December 2023 as extracted from the published documents of Inspur, which is set out on page II-352 to II-524 in Appendix II to this circular; and

LETTER FROM THE BOARD

- (d) the management discussion and analysis of the results of operations of Inspur for the three financial years ended 31 December 2023 as extracted from the published documents of Inspur, which are set out on pages III-1 to III-56 in Appendix III to this circular.

Based on the information provided by the Company and the alternative disclosures above, the Stock Exchange granted the waiver from strict compliance with Rules 14.67(6)(a)(i) and 14.67(7) under the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written shareholders' approval in lieu of convening a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition of Inspur Shares; and (b) written approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at general meetings to approve the Acquisition of Inspur Shares.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has any material interest in the Acquisition of Inspur Shares. Thus, if the Company were to convene a general meeting to approve the Acquisition of Inspur Shares, no Shareholder is required to abstain from voting on the resolutions in relation to the Acquisition of Inspur Shares. As such, the Acquisition of Inspur Shares may be approved by written Shareholders' approval in accordance with Rule 14.44 of the Listing Rules.

In relation to written approval in lieu of holding a general meeting in respect of the Acquisition of Inspur Shares, the Company obtained shareholder's approval from Yoho Bravo Limited which holds 599,658,000 shares (representing approximately 74.96% of the total issued share capital of the Company as at the date of the written approval by Yoho Bravo Limited and the Latest Practicable Date respectively) pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting will be convened to consider the Acquisition of Inspur Shares.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Acquisition of Inspur Shares are on normal commercial terms, which is fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Directors would recommend the Shareholders to vote in favour of the Acquisition of Inspur Shares if a physical meeting were to be held.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Brainhole Technology Limited
Zhang Liang Johnson
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Company for the three years ended 31 December 2021, 2022 and 2023 have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.brainholetechnology.com>) respectively:

- the annual report of the Company for the year ended 31 December 2021 (pages 84 to 169) published on 28 April 2022, available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800574.pdf>

- the annual report of the Company for the year ended 31 December 2022 (pages 81 to 169) published on 26 April 2023, available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600894.pdf>

- the annual report of the Company for the year ended 31 December 2023 (pages 83 to 173) published on 29 April 2024, available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042902560.pdf>

2. STATEMENT OF INDEBTEDNESS OF THE GROUP

At the close of business on 31 March 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Circular, the Group had outstanding indebtedness as follows:

	31 March 2024 <i>HK\$'000</i>
Lease liabilities	4,907
Loan from immediate holding company	Nil
Loans from related companies	49,590
Loan from ultimate controlling party	110,743

As at 31 March 2024, all the loan from immediate holding company, loans from related companies and loan from ultimate controlling party of the Group disclosed above are unsecured and unguaranteed.

Save as disclosed above, the Group did not, as of the close of business on 31 March 2024, have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

3. WORKING CAPITAL STATEMENT OF THE GROUP

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources available to the Group, including internally generated funds and the available facilities, and the impact of the Acquisition of Inspur Shares, the Group will have sufficient working capital for its business for at least 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66 (12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date and to the best knowledge of the Directors, there was no material adverse change in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the manufacturing and trading of semiconductors, broadband infrastructure construction and the provision of integrated solution for smart domain application (including smart home, smart campus and smart communities). The Group believes that technological innovation is an important engine for future economic development, and it can also drive the emerging applications in the smart living sector. The Group aims to leverage our own advantages in the field of smart technology to capture investment opportunities and actively diversify the investments in the field of innovative technologies, in order to create greater value for the Shareholders.

Since 2022, the Group commenced the strategic investments business which engages in trading of cryptocurrencies and listed equity securities. In particular to the listed equity securities, the investment portfolio mainly comprises leading technology companies and high quality large companies listed in the United States and Hong Kong. As stated in the paragraphs headed “REASONS FOR AND BENEFITS OF THE ACQUISITION OF INSPUR SHARES” in the section headed “LETTER FROM THE BOARD”, the Group considers that the Acquisition of Inspur Shares represents an opportunity to allow the Group to reallocate the resources and investment portfolio. The Group will closely monitor and assess the performance of these listed equity securities and make timely and appropriate adjustments on the investment portfolio to enhance the returns for the Group and realise the investments as and when appropriate.

FINANCIAL INFORMATION OF INSPUR FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

For the purpose of this section only, unless the context requires otherwise, references to the “Company” are to Inspur, and references to “we”, “us” and “our” shall be construed accordingly.

The following is an extract of the audited consolidated financial statements of Inspur for the three years ended 31 December 2021, 31 December 2022 and 31 December 2023, which were prepared in accordance with the China Accounting Standards for Business Enterprise, as extracted from the respective annual reports of Inspur for the three years ended 31 December 2021, 31 December 2022 and 31 December 2023. These financial statements were issued in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

The annual reports and consolidated financial statements of Inspur for the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 are available at the website of the Shenzhen Stock Exchange (<https://www.szse.cn/disclosure/listed/notice/>).

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

Section X Financial Statements

I. Audit Report

Type of audit opinion	Standard unqualified opinion
Signing date of the audit report	April 7, 2022
Name of audit institution	Hexin Certified Public Accountants (Special General Partnership)
Document number of the audit report	HXS ZI (2022) No. 000431
Name of CPAs	Wang Xiaonan, Gu Erli

Main body of the audit report

To all shareholders of Inspur Electronic Information Industry Co., Ltd.:

I. Audit Opinions

We have audited the financial statements of Inspur Electronic Information Industry Co., Ltd. (hereinafter referred to as "Inspur Information"), including the consolidated and company balance sheet as of December 31, 2021, as well as the consolidated and company profit statement, the consolidated and company cash flow statement, the consolidated and company statement of changes in shareholders' equities, and other relevant notes to financial statements as of 2021.

In our opinion, the attached financial statements are prepared in accordance with the provisions of Accounting Standards for Business Enterprises in all material respects and fairly present Inspur Information's consolidated and the company's financial position as of December 31, 2021 and the consolidated and company's operating results and cash flows in 2021.

II. Basis for Audit Opinions

We have conducted our audit in accordance with the Auditing Standards of Chinese Certified Public Accountants. Our responsibilities thereunder are further described in the section of "CPA's Responsibilities for the Audit of the Financial Statements" of the Audit Report. According to the China Code of Ethics for Certified Public Accountants, we are independent of the Inspur Information Company and fulfilled other responsibilities of code of ethics. We believe that the audit evidences we have obtained are sufficient and appropriate, and provide a basis for our audit opinions.

III. Key Audit Matters

Key audit matters refer to the matters that we consider as most important for auditing the financial statements in accordance with our professional judgments. The response to these matters is based on the audit of the financial statements as a whole and the formation of audit opinions. We do not express opinions on these matters separately. We determine that the following matters are the key audit matters which shall be provided in the Audit Report:

(I) Revenue recognition for "servers and components"

1. Matter description

The operating income of Inspur Information Company in 2021 was RMB 67,047,551,600, of which the revenue of "servers and components" was RMB 64,342,315,500, accounting for 95.97% of the operating income. As the revenue is one of the key business indicators of Inspur Information Company, there may be a significant risk of misstatement in whether it is recognized and presented in the appropriate financial statement period, and the revenue of "servers and components" accounts for a relatively high proportion of total operating income. Therefore, we recognize the revenue of "servers and components" as a key audit matter.

For relevant information, refer to "Note III. 36. Revenue, and Note V. 41. Operating Income and Operating Cost" to the financial statements.

2. Audit response

The audit procedures we have implemented for this key audit matter are mainly as follows:

- (1) Understand the key internal controls related to revenue recognition of "servers and components" by the management of Inspur Information Company (hereinafter referred to as "the management"), evaluate and test the effectiveness of their design and operation;
- (2) Select samples to examine sales contracts, identify key contract terms and performance obligations related to revenue recognition of "servers and components", and evaluate whether the revenue recognition policy for "servers and components" complies with accounting standards;

- (3) Obtain the sales list for the current year, execute analytical procedures, and assess the reasonableness of changes in revenue and gross margin for the current period;
- (4) Conduct detailed testing on the revenue recorded for this year, verify supporting documents such as sales contracts, delivery orders, acceptance forms, sales invoices, and customs declarations, etc.;
- (5) Based on the audit of accounts receivable, select samples to execute the confirmation procedure;
- (6) Conduct a cut-off test on transactions recorded before and after the balance sheet date to evaluate whether the revenue is recorded in the appropriate accounting period.

The evidence we have obtained can support the management's judgment on revenue recognition of "servers and components".

(II) Recognition of inventory balance and falling price reserves

1. Matter description

Inspur Information Company is mainly engaged in R&D, manufacturing, and sales of servers and components. The main inventory goods are servers, and the main raw materials are chips, memory, hard drives, etc. As of December 31, 2021, the inventory book balance of Inspur Information Company was RMB 23,319,071,800, with a provision for falling price reserves of RMB 916,843,300 and a book value of RMB 22,402,228,600, accounting for 48.48% of the total assets. The inventory book balance increased by 100.93% compared to the previous year, and the inventory book value increased by 104.71% compared to the previous year.

Inspur Information Company measures inventory based on the lower of cost and net realizable value. If the cost of inventory exceeds its net realizable value, a provision for inventory falling price reserves shall be made. Inspur Information Company determines the net realizable value based on the estimated selling price of inventory minus the estimated sales expenses and related taxes. In the estimate process, the management needs to make significant judgments and consider historical selling prices and future market trends. Due to the significant influence of inventory balance and falling price reserves on the financial statements and the need for management to make significant judgments, we recognize them as key audit matters.

For relevant information, refer to "Note III. 15. Inventory, and Note V. 7. Inventory" to the financial statements.

2. Audit response

The audit procedures we have implemented for this key audit matter are mainly as follows:

- (1) Understand the key internal controls related to inventory balance recognition and provision for falling price reserves by management, evaluate and test the effectiveness of their design and operation;
- (2) Review the annual procurement plan, select samples to examine procurement contracts, orders, logistics information, and other materials;
- (3) Implement inventory monitoring procedures, conduct on-site inspections of inventory quantity, quality, storage status, etc.;
- (4) Obtain the calculation sheet for inventory falling price reserves, review the recognition basis for net realizable value, and analyze whether the provision for inventory falling price reserves is sufficient;
- (5) Obtain the inventory aging list, and conduct an analytical review of the inventory falling price reserves with longer aging;
- (6) Conduct the sampling inspection of inventory sold after December 31, 2021, and compare the actual selling price of the sample with the estimated selling price.

The evidence we have obtained can support the management's judgment in determining inventory balance and falling price reserves.

IV. Other Information

The management shall be responsible for other information. Other information includes the information contained in the 2021 annual report of Inspur Information Company, but excludes financial statements and our audit report.

Our audit opinions on the financial statements do not cover other information, and we do not give any authentication conclusions about other information.

In combination with our audit of the financial statements, our responsibility is to read other information, and we shall, during this process, consider whether other information is materially inconsistent with the financial statements or the information we learned during the audit, or there are material misstatements.

Based on the work we have performed, we shall report if we recognize that other information is materially misstated. In this regard, we have nothing to be reported.

V. Responsibilities of Management and Governance for Financial Statements

The management is responsible for preparing financial statements in accordance with provisions of Accounting Standards for Business Enterprises to realize a fair presentation of financial conditions, designing, implementing as well as maintaining necessary internal control to avoid the material misstatements in the financial statements due to frauds or errors.

During the preparation of financial statements, the management is responsible for assessing going-concern ability of Inspur Information Company, disclosing matters related to going-concern (if applicable) and applying the going-concern assumption, unless the management is planning to liquidate Inspur Information Company and terminate operation, or has no other realistic choice.

The governance of Inspur Information Company (hereinafter referred to as "the governance") is responsible for supervising the financial reporting process of Inspur Information Company.

VI. CPA's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement due to frauds or errors, and to issue an audit report containing our audit opinions. Reasonable assurance is a high level of assurance, but there is no guarantee that the audit carried out in accordance with auditing standards will always find material misstatements. Misstatement may be caused by frauds or errors. If it is reasonably expected that the misstatement, individually or collectively, may affect the economic decisions made by users of financial statements based on the financial statements, it is generally considered that the misstatement is material.

During the audit conducted in line with auditing standards, we shall adopt professional judgment and keep professional skepticism all the time. Meanwhile, we shall also execute the following tasks:

(I) Identify and assess material misstatement risks caused by fraud or error of the financial statement, design and execute audit procedures to handle with these risks, and obtain adequate, proper audit evidence as the basis for stating audit opinions. The risk of not detecting a material misstatement resulting from frauds is higher than that resulting from errors, as frauds may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.

(II) Learn about the audit-related internal control in order to design the appropriate audit procedures.

(III) Evaluate the appropriateness of the accounting policies adopted by the management and the reasonableness of accounting estimate and related disclosure.

(IV) Draw a conclusion on the appropriateness of the management's use of going-concern assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about Inspur Information Company's ability to continue as a going-concern. If we come to the conclusion of the existence of material uncertainty, the auditing standards require us to remind the users of the statements to pay attention to related disclosure in the financial statements in the audit report; in the event that the disclosures are not sufficient, we shall publish a non-unqualified opinion. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may cause Inspur Information Company not being able to continue as a going-concern.

(V) Evaluate the overall presentation, structure and content of financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding to Inspur Information Company's financial information of the entities or business activities in order to express audit opinions on the financial statements. We are responsible for guiding, supervising and implementing the Group audit, and fully liable for audit opinions.

We have communicated with the governance about the planned audit scope, schedule, material audit findings, etc., including the noteworthy internal control deficiency identified during auditing.

We also provided statements to those in charge of the governance about applying professional ethics requirements in terms of independence, and made communication with the governance on all relationships and other matters that may reasonably be considered to affect our independence, and responsive precautionary measures (if applicable).

From the matters that we communicate with the governance, we determine which matters are most important for the audit of the current financial statements, and therefore constitute the key audit matters. We describe these matters in the audit report unless public disclosure of these matters is prohibited by laws and regulations or, in rare cases, we determine that these matters should not be communicated in the audit report if the negative consequences of communicating certain matters in audit report would reasonably be expected to surpass the benefit in the public interest.

Hexin Certified Public Accountants (Special General Partnership)

Chinese Certified Public Accountant: Wang Xiaonan

(Project Partner)

Jinan·China

Chinese Certified Public Accountant: Gu Erli

April 7, 2022

II. Financial Statements

The unit of the statements in the financial notes is: RMB

1. Consolidated balance sheet

Prepared by: Inspur Electronic Information Industry Co., Ltd.

Unit: RMB

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary capital	7,277,279,340.91	10,133,660,776.10
Settlement reserves		
Lending funds		
Trading financial assets	400,068,219.18	3,707,848,082.20
Derivative financial assets		
Notes receivable		
Accounts receivable	11,969,771,797.48	8,207,351,931.65
Receivables financing	282,137,729.50	1,312,528,535.28
Advance payment	54,866,314.11	81,005,265.01
Premium receivable		
Reinsurance accounts receivable		
Reserves for reinsurance contract receivable		
Other receivables	63,026,008.69	75,950,171.78
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventory	22,402,228,567.57	10,943,256,465.72
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	1,306,540,438.48	1,319,583,822.23
Total current assets	43,755,918,415.92	35,781,185,049.97
Non-current assets:		
Loan granted and advances		
Creditor's right investment		
Other creditor's right investments		
Long-term receivables		
Long-term equity investment	306,872,633.81	308,200,076.31
Other equity instrument investments		
Other non-current financial assets		
Investment property	92,615,702.43	95,916,862.83
Fixed assets	979,437,091.63	1,063,826,938.88
Construction in progress	121,384,942.40	17,686,703.29
Productive biological assets		
Oil-gas assets		
Right-of-use assets	54,564,151.39	
Intangible assets	398,902,390.93	529,742,751.22

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Development expenditure		
Goodwill	643,015.39	643,015.39
Long-term unamortized expenses	84,408,961.85	114,280,282.83
Deferred income tax assets	379,835,798.95	321,120,187.31
Other non-current assets	33,579,458.06	90,263,782.47
Total non-current assets	2,452,244,146.84	2,541,680,600.53
Total assets	46,208,162,562.76	38,322,865,650.50
Current liabilities:		
Short-term borrowings	4,558,032,922.89	2,691,316,995.77
Borrowings from the central bank		
Borrowing funds		
Trading financial liabilities	3,016,539.09	3,555,903.85
Derivative financial liabilities		
Notes payable	1,543,741,666.65	3,107,565,846.64
Accounts payable	17,753,554,347.60	10,011,825,639.12
Advance receipt		
Contract liabilities	1,687,428,845.01	4,085,509,573.95
Financial assets sold for repurchase		
Deposits from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	463,960,415.31	410,495,457.76
Taxes payable	317,864,605.11	423,724,518.48
Other payables	161,568,047.13	127,682,594.70
Including: Interest payable		
Dividends payable		
Fees and commissions payable		
Reinsurance accounts payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	21,392,229.28	203,993,643.85
Other current liabilities	2,148,036,920.62	1,537,274,454.44
Total current liabilities	28,658,596,538.69	22,602,944,628.56
Non-current liabilities:		
Reserves for insurance contract		
Long-term borrowings	1,510,288,931.61	610,290,445.49
Bonds payables		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	39,318,738.03	
Long-term payables	735,000.00	735,000.00
Long-term payroll payable		
Estimated liabilities	304,254,473.75	183,471,971.09
Deferred incomes	114,958,805.96	82,007,055.56
Deferred income tax liabilities	14,429,106.73	15,766,208.09
Other non-current liabilities		
Total non-current liabilities	1,983,985,056.08	892,270,680.23
Total liabilities	30,642,581,594.77	23,495,215,308.79

Owners' equities:		
Share capital	1,453,721,310.00	1,453,721,310.00
Other equity instruments	999,697,169.81	1,996,516,981.13
Including: Preferred shares		
Perpetual bonds	999,697,169.81	1,996,516,981.13
Capital reserves	6,548,512,035.69	6,538,107,510.94
Minus: Treasury shares		
Other comprehensive incomes	-34,137,448.58	-7,246,101.03
Special reserves		
Surplus reserves	565,764,689.46	407,773,846.74
General risk reserves		
Undistributed profits	5,628,296,600.21	4,058,458,395.22
Total owners' equities attributable to the parent company	15,161,854,356.59	14,447,331,943.00
Minority equity	403,726,611.40	380,318,398.71
Total owners' equities	15,565,580,967.99	14,827,650,341.71
Total liabilities and owners' equities	46,208,162,562.76	38,322,865,650.50

Legal representative: Peng Zhen

Principal in charge of the accounting work: Wu Long

Person in charge of accounting organization: Xu Yanyan

2. Balance sheet of parent company

Unit: RMB

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary capital	3,910,548,365.44	7,217,820,609.40
Trading financial assets	400,068,219.18	3,707,848,082.20
Derivative financial assets		
Notes receivable		
Accounts receivable	13,913,650,112.05	7,791,398,182.69
Receivables financing	191,569,653.21	1,004,176,905.71
Advance payment	624,458,075.61	519,529,794.07
Other receivables	529,535,452.12	532,782,311.09
Including: Interest receivable		
Dividends receivable		
Inventory	15,930,828,021.50	9,170,700,987.71
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	752,903,561.08	887,245,925.76
Total current assets	36,253,561,460.19	30,831,502,798.63
Non-current assets:		
Creditor's right investment		
Other creditor's right investments		
Long-term receivables		
Long-term equity investment	2,728,128,484.19	2,664,455,926.69
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	467,936,149.13	511,502,874.10
Construction in progress		
Productive biological assets		
Oil-gas assets		
Right-of-use assets	20,373,440.50	
Intangible assets	212,030,995.91	346,331,510.89
Development expenditure		
Goodwill		
Long-term unamortized expenses	26,265,701.03	26,215,521.68
Deferred income tax assets	289,723,056.32	171,953,586.18
Other non-current assets	8,953,245.22	58,478,593.86
Total non-current assets	3,753,411,072.30	3,778,938,013.40
Total assets	40,006,972,532.49	34,610,440,812.03

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Current liabilities:		
Short-term borrowings	4,558,032,922.89	2,691,316,995.77
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	1,543,741,666.65	3,257,565,846.64
Accounts payable	13,204,136,634.98	7,504,408,198.16
Advance receipt		
Contract liabilities	850,320,848.15	3,497,349,629.51
Payroll payable	233,709,990.26	185,418,265.42
Taxes payable	205,052,677.16	240,129,416.64
Other payables	1,904,738,088.62	1,555,772,551.01
Including: Interest payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	16,687,674.16	203,993,643.85
Other current liabilities	2,112,354,017.53	1,462,946,529.82
Total current liabilities	24,628,774,520.40	20,598,901,076.82
Non-current liabilities:		
Long-term borrowings	1,370,000,000.00	500,152,083.33
Bonds payables		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	9,971,947.05	
Long-term payables	735,000.00	735,000.00
Long-term payroll payable		
Estimated liabilities	304,254,473.75	183,471,971.09
Deferred incomes	66,327,152.75	17,986,222.22
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	1,751,288,573.55	702,345,276.64
Total liabilities	26,380,063,093.95	21,301,246,353.46
Owners' equities:		
Share capital	1,453,721,310.00	1,453,721,310.00
Other equity instruments	999,697,169.81	1,996,516,981.13
Including: Preferred shares		
Perpetual bonds	999,697,169.81	1,996,516,981.13
Capital reserves	6,811,390,712.58	6,800,986,187.83
Minus: Treasury shares		
Other comprehensive incomes	18,034,531.08	18,903,347.63
Special reserves		
Surplus reserves	562,476,098.78	404,485,256.06
Undistributed profits	3,781,589,616.29	2,634,581,375.92
Total owners' equities	13,626,909,438.54	13,309,194,458.57
Total liabilities and owners' equities	40,006,972,532.49	34,610,440,812.03

3. Consolidated profit statement

Unit: RMB

Item	2021	2020
I. Total operating incomes	67,047,551,558.14	63,037,990,367.04
Including: Operating income	67,047,551,558.14	63,037,990,367.04
Interest income		
Earned premium		
Incomes from fees and commissions		
II. Total operating costs	64,506,349,924.14	61,207,459,571.36
Including: Operating cost	59,379,318,169.68	55,660,508,811.34
Interest expenditure		
Fee and commission expenses		
Surrender value		
Net amount of compensation payout		
Withdrawal of the company's net reserve fund for insurance contract		
Bond insurance expenses		
Reinsurance expenses		
Taxes and surcharges	82,418,299.75	91,640,724.35
Sales expenses	1,460,708,162.61	1,864,031,696.37
Management expenses	723,675,429.67	821,401,512.23
R&D expenses	2,921,294,813.57	2,635,456,131.65
Financial expenses	-61,064,951.14	134,420,695.42
Including: Interest expenses	239,056,415.85	156,351,475.42
Interest income	117,306,361.98	49,442,986.20
Plus: Other incomes	361,342,875.59	247,913,227.19
Return on investment (the loss is expressed with "-")	148,225,407.88	131,505,377.84
Including: Return on investment in associated enterprises and joint ventures	6,785,032.27	3,281,794.70
Income from derecognition of financial assets measured at the amortized cost		
Exchange gain (the loss is expressed with "-")		
Income from net exposure hedging (the loss is expressed with "-")		
Income from change in fair value (the loss is expressed with "-")	531,719.52	-3,759,015.84
Credit impairment loss (the loss is expressed with "-")	-170,502,032.79	69,303,515.64
Asset impairment loss (the loss is expressed with "-")	-725,284,060.76	-532,199,606.00
Income from asset disposal (the loss is expressed with "-")	-2,179,205.00	14,774.07
III. Operating profit (the loss is expressed with "-")	2,153,336,338.44	1,743,309,068.58
Plus: Non-operating income	7,742,056.98	4,699,533.66
Minus: Non-operating expenditure	1,524,866.43	62,633,871.31
IV. Total profits (the total losses are expressed with "-")	2,159,553,528.99	1,685,374,730.93
Minus: Income tax expenses	129,623,800.32	176,402,583.84

V. Net profit (the net loss is expressed with "-")	2,029,929,728.67	1,508,972,147.09
(I) Classification by business continuity		
1. Net profits from continuing operation (the net loss is expressed with "-")	2,029,929,728.67	1,508,972,147.09
2. Net profits from discontinuing operation (the net loss is expressed in with "-")		
(II) Classification by the attribution of the ownership		
1. Net profits attributable to the shareholders of the parent company	2,002,738,391.78	1,466,448,647.76
2. Minority shareholders' profit and loss	27,191,336.89	42,523,499.33
VI. After-tax net amount of other comprehensive incomes	-26,891,347.55	-66,573,633.76
After-tax net amount of other comprehensive incomes attributable to the owners of the parent company	-26,891,347.55	-66,573,633.76
(I) Other comprehensive incomes that cannot be reclassified into profits and losses	-868,816.55	
1. Re-measurement of changed amount in the defined benefit plan		
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method		
3. Changes in fair value of other equity instrument investments	-868,816.55	
4. Changes in fair value of enterprise credit risk		
5. Others		
(II) Other comprehensive incomes that will be reclassified into profits and losses	-26,022,531.00	-66,573,633.76
1. Other comprehensive incomes that can be transferred into the profits and losses under the equity method		
2. Changes in fair value of other creditor's right investments		
3. Amounts of financial assets reclassified into other comprehensive incomes		
4. Credit impairment reserves of other creditor's right investments		
5. Cash flow hedging reserves		
6. Translation balance of foreign currency financial statements	-26,022,531.00	-66,573,633.76
7. Others		
After-tax net amount of other comprehensive incomes attributable to the minority shareholders		
VII. Total comprehensive incomes	2,003,038,381.12	1,442,398,513.33
Total comprehensive incomes attributable to the owners of the parent company	1,975,847,044.23	1,399,875,014.00
Total comprehensive incomes attributable to minority shareholders	27,191,336.89	42,523,499.33
VIII. Earnings per share:		
(I) Basic earnings per share	1.3777	1.0428
(II) Diluted earnings per share	1.3688	1.0324

As for the business combination under the same control in the current period, the net profit achieved by the combined party before the combination is: RMB, and the net profit achieved by the combined party for the last period is: RMB.

Legal representative: Peng Zhen

Principal in charge of the accounting work: Wu Long

Person in charge of accounting organization: Xu Yanyan

4. Profit statement of parent company

Unit: RMB

Item	2021	2020
I. Operating income	66,592,506,119.22	57,733,656,372.53
Minus: Operating cost	60,634,605,903.93	52,619,872,272.60
Taxes and surcharges	38,020,742.15	47,280,713.00
Sales expenses	930,072,576.46	839,063,563.33
Management expenses	441,033,511.82	555,419,918.95
R&D expenses	2,278,343,270.89	2,080,106,061.50
Financial expenses	101,131,628.28	-96,554,812.67
Including: Interest expenses	272,905,920.91	161,491,773.28
Interest income	86,609,974.99	41,162,927.84
Plus: Other incomes	141,605,328.51	92,296,504.18
Return on investment (the loss is expressed with "-")	188,591,516.75	155,560,972.98
Including: Return on investment in associated enterprises and joint ventures	6,785,032.27	3,281,794.70
Income from derecognition of financial assets measured at the amortized cost (the loss is expressed with "-")		
Income from net exposure hedging (the loss is expressed with "-")		
Income from change in fair value (the loss is expressed with "-")	68,219.18	
Credit impairment loss (the loss is expressed with "-")	-252,302,623.01	177,269,452.66
Asset impairment loss (the loss is expressed with "-")	-626,974,494.26	-514,641,868.88
Income from asset disposal (the loss is expressed with "-")	-2,180,345.12	69,777.99
II. Operating profit (the loss is expressed with "-")	1,618,106,087.74	1,599,023,494.75
Plus: Non-operating income	6,275,832.15	2,793,844.90
Minus: Non-operating expenditure	1,159,865.19	61,651,261.80
III. Total profits (the total losses are expressed with "-")	1,623,222,054.70	1,540,166,077.85
Minus: Income tax expenses	43,313,627.54	166,261,710.82
IV. Net profit (the net loss is expressed with "-")	1,579,908,427.16	1,373,904,367.03
(I) Net profits from continuing operation (the net loss is expressed in with "-")	1,579,908,427.16	1,373,904,367.03
(II) Net profits from discontinuing operation (the net loss is expressed in with "-")		
V. After-tax net amount of other comprehensive incomes	-868,816.55	
(I) Other comprehensive incomes that cannot be reclassified into profits and losses	-868,816.55	
1. Re-measurement of changed amount in the defined benefit plan		
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method		
3. Changes in fair value of other equity instrument investments	-868,816.55	
4. Changes in fair value of enterprise credit risk		
5. Others		

(II) Other comprehensive incomes that will be reclassified into profits and losses		
1. Other comprehensive incomes that can be transferred into the profits and losses under the equity method		
2. Changes in fair value of other creditor's right investments		
3. Amounts of financial assets reclassified into other comprehensive incomes		
4. Credit impairment reserves of other creditor's right investments		
5. Cash flow hedging reserves		
6. Translation balance of foreign currency financial statements		
7. Others		
VI. Total comprehensive incomes	1,579,039,610.61	1,373,904,367.03
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	2021	2020
I. Cash flow generated from operating activities:		
Cash received from sales of goods and provisions of labor services	74,044,757,291.45	81,927,542,382.87
Net increase of deposits from customers and other banks		
Net increase in borrowings from the central bank		
Net increase in borrowing funds from other financial institutions		
Cash received from the original insurance contract premium		
Net cash received from reinsurance premiums		
Net increase in policy holder deposits and investment funds		
Cash received from interests, fees and commissions		
Net increase in borrowing funds		
Net capital increase of repurchase business		
Net cash received from vicariously traded securities		
Refund of taxes and fees received	1,085,461,043.95	1,375,342,919.38
Other cash received related to operating activities	782,255,605.29	339,587,874.74
Subtotal of cash inflow from operating activities	75,912,473,940.69	83,642,473,176.99
Cash paid for purchasing goods and receiving labor services	78,257,837,411.71	75,396,018,670.98
Net increase in customer loans and advances		
Net increase of deposits in central bank and other banks		
Cash paid for indemnity of original insurance contract		
Net increase in lending funds		
Cash paid for interests, fees and commissions		
Cash paid for policy dividends		
Cash paid to and for employees	3,123,731,461.72	2,338,481,509.43
Various taxes and dues paid	1,030,259,568.62	734,944,810.79
Other cash paid related to operating activities	1,790,219,470.63	2,842,713,751.15
Subtotal of cash outflow from operating activities	84,202,047,912.68	81,312,158,742.35
Net cash flow generated from operating activities	-8,289,573,971.99	2,330,314,434.64
II. Cash flow generated from investing activities:		
Cash received from withdrawing investment	33,658,400,000.00	47,222,905,506.07
Cash received from obtaining return on investment	149,271,625.62	129,110,611.29
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	450,781.35	57,672.23

Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investing activities		
Subtotal of cash inflow from investing activities	33,808,122,406.97	47,352,073,789.59
Net cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	194,864,195.15	449,256,516.48
Cash paid for investment	30,058,400,000.00	50,872,905,506.07
Net increase in pledged loans		
Net cash paid for disposal of subsidiaries and other business units		
Other cash paid related to investing activities		
Subtotal of cash outflow from investing activities	30,253,264,195.15	51,322,162,022.55
Net cash flow generated from investing activities	3,554,858,211.82	-3,970,088,232.96
III. Cash flow generated from financing activities:		
Cash received from attracting investment	35,000,000.00	3,148,106,136.21
Including: Cash received by subsidiaries from absorbing investments from minority shareholders	35,000,000.00	
Cash received from borrowings	12,738,584,906.17	12,215,964,149.79
Other cash received related to financing activities		
Subtotal of cash inflow from financing activities	12,773,584,906.17	15,364,070,286.00
Cash paid for repaying debts	9,177,705,335.09	9,725,292,852.81
Cash paid for the distribution of dividends, profits or repayment of interests	503,427,600.20	320,170,184.43
Including: Dividends and profits paid to minority shareholders by subsidiaries	38,783,124.20	23,309,227.52
Other cash paid related to financing activities	1,019,601,071.67	3,500,150.00
Subtotal of cash outflow from financing activities	10,700,734,006.96	10,048,963,187.24
Net cash flow generated from financing activities	2,072,850,899.21	5,315,107,098.76
IV. Effect of exchange rate fluctuation on cash and cash equivalents	-31,771,250.38	-74,061,342.05
V. Net increase in cash and cash equivalents	-2,693,636,111.34	3,601,271,958.39
Plus: Balance of cash and cash equivalents at the beginning of the period	9,952,056,143.05	6,350,784,184.66
VI. Balance of cash and cash equivalents at the end of the period	7,258,420,031.71	9,952,056,143.05

6. Cash flow statement of parent company

Unit: RMB

Item	2021	2020
I. Cash flow generated from operating activities:		
Cash received from sales of goods and provisions of labor services	66,527,123,320.35	70,801,397,292.72
Refund of taxes and fees received	72,211,867.68	271,871,835.30
Other cash received related to operating activities	9,286,958,422.43	13,877,926,501.37
Subtotal of cash inflow from operating activities	75,886,293,610.46	84,951,195,629.39
Cash paid for purchasing goods and receiving labor services	72,248,569,446.54	65,246,999,762.94
Cash paid to and for employees	1,490,640,567.09	1,181,950,693.88
Various taxes and dues paid	491,259,575.00	265,779,719.96
Other cash paid related to operating activities	10,034,827,189.55	16,754,389,745.13
Subtotal of cash outflow from operating activities	84,265,296,778.18	83,449,119,921.91
Net cash flow generated from operating activities	-8,379,003,167.72	1,502,075,707.48
II. Cash flow generated from investing activities:		
Cash received from withdrawing investment	33,658,400,000.00	47,222,905,506.07
Cash received from obtaining return on investment	189,637,734.49	153,371,235.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	352,880.53	57,672.23
Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investing activities		
Subtotal of cash inflow from investing activities	33,848,390,615.02	47,376,334,414.15
Net cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	77,131,457.00	63,823,650.80
Cash paid for investment	30,123,400,000.00	51,142,905,506.07
Net cash paid for disposal of subsidiaries and other business units		
Other cash paid related to investing activities		
Subtotal of cash outflow from investing activities	30,200,531,457.00	51,206,729,156.87
Net cash flow generated from investing activities	3,647,859,158.02	-3,830,394,742.72
III. Cash flow generated from financing activities:		
Cash received from attracting investment		3,148,106,136.21
Cash received from borrowings	12,171,526,931.41	10,586,797,803.76
Other cash received related to financing activities		
Subtotal of cash inflow from financing activities	12,171,526,931.41	13,734,903,939.97
Cash paid for repaying debts	9,157,435,240.33	7,247,615,212.76
Cash paid for the distribution of dividends, profits or repayment of interests	460,202,815.19	276,400,325.22
Other cash paid related to financing activities	1,010,512,020.40	3,500,150.00
Subtotal of cash outflow from financing activities	10,628,150,075.92	7,527,515,687.98
Net cash flow generated from financing activities	1,543,376,855.49	6,207,388,251.99
IV. Effect of exchange rate fluctuation on cash and cash equivalents	-1,759,765.90	
V. Net increase in cash and cash equivalents	-3,189,526,920.11	3,879,069,216.75
Plus: Balance of cash and cash equivalents at the beginning of the period	7,086,215,976.35	3,207,146,759.60
VI. Balance of cash and cash equivalents at the end of the period	3,896,689,056.24	7,086,215,976.35

7. Consolidated statement of changes in owners' equities Amount of the current period

Unit: RMB

Item	2021													Minority equity	Total owners' equities
	Owners' equities attributable to the parent company											Subtotal			
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserves	Undistributed profits		Others		
	Preferred shares	Perpetual bonds	Others												
I. Ending balance of the last year	1,453,721,310.00		1,996,516,981.13		6,538,107,510.94		-7,246,101.03		407,773,846.74		4,058,458,395.22		14,447,331,943.00	380,318,398.71	14,827,650,341.71
Plus: Changes in accounting policies															
Early error correction															
Business combination under the same control															
Others															
II. Beginning balance of the current year	1,453,721,310.00		1,996,516,981.13		6,538,107,510.94		-7,246,101.03		407,773,846.74		4,058,458,395.22		14,447,331,943.00	380,318,398.71	14,827,650,341.71
III. Increase/decrease amount of the current period (the decrease is expressed with "-")			-996,819,811.32		10,404,524.75		-26,891,347.55		157,990,842.72		1,569,838,204.99		714,522,413.59	23,408,212.69	737,930,626.28
(I) Total comprehensive incomes							-26,022,531.00				2,002,738,391.78		1,976,715,860.78	27,191,336.89	2,003,907,197.67
(II) Owner's capital input and reduction			-996,819,811.32		9,864,878.17								-986,954,933.15	35,000,000.00	-951,954,933.15
1. Common shares contributed by owners														35,000	35,000
														.000.00	, 000.00
2. Capital invested by holders of other equity instruments			-996,819,811.32		-3,180,188.68								-1,000,000,000.00		-1,000,000,000.00
3. Amount of share-based payment included into owners' equities					13,045,066.85								13,045,066.85		13,045,066.85
4. Others															
(III) Profit distribution								157,990,842.72		-432,900,186.79		-274,909,344.07	-38,783,124.20	-313,692,468.27	
1. Withdrawal of surplus reserves								157,990,842.72		-157,990,842.72					
2. Withdrawal of general risk reserves															
3. Distribution to owners (or shareholders)										-159,909,344.07		-159,909,344.07	-38,783,124.20	-198,692,468.27	
4. Others										-115,000,000.00		-115,000,000.00		-115,000,000.00	

(IV) Internal carry-over of owners' equities													
1. Increased capital (or share capital) transferred from capital reserves													
2. Increased capital (or share capital) transferred from surplus reserves													
3. Recovery of losses by surplus reserves													
4. Carry-over of retained earnings of changes in the defined benefit plan													
5. Carry-over of retained earnings by other comprehensive incomes													
6. Others													
(V) Special reserves													
1. Withdrawal in the current period													
2. Use in the current period													
(VI) Others				539,646.58	-868,816.55					-329,169.97			-329,169.97
IV. Ending balance of the current period	1,453,721,310.00	999,697,169.81	6,548,512,035.69	-34,137,448.58	565,764,689.46	5,628,296,600.21	15,161,854,356.59	403,726,611.40	15,565,580,967.99				

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Amount of the last period

Unit: RMB

Item	2020													Minority equity	Total owners' equities
	Owners' equities attributable to the parent company														
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal		
	Preferred shares	Perpetual bonds	Others												
I. Ending balance of the last year	1,289,252,171.00		996,819,811.32		4,436,842,772.18		59,327,532.73		270,383,410.04		2,894,487,816.95		9,947,113,514.22	361,104,126.90	10,308,217,641.12
Plus: Changes in accounting policies															
Early error correction															
Business combination under the same control															
Others															
II. Beginning balance of the current year	1,289,252,171.00		996,819,811.32		4,436,842,772.18		59,327,532.73		270,383,410.04		2,894,487,816.95		9,947,113,514.22	361,104,126.90	10,308,217,641.12
III. Increase/decrease amount of the current period (the decrease is expressed with "-")	164,469,139.00		999,697,169.81		2,101,264,738.76		-66,573,633.76		137,390,436.70		1,163,970,578.27		4,500,218,428.78	19,214,271.81	4,519,432,700.59
(I) Total comprehensive incomes							-66,573,633.76				1,466,448,647.76		1,399,875,014.00	42,523,499.33	1,442,398,513.33
(II) Owner's capital input and reduction	164,469,139.00		999,697,169.81		2,103,763,313.28								3,267,929,622.09		3,267,929,622.09
1. Common shares contributed by owners	164,469,139.00				1,982,256,996.17								2,146,726,135.17		2,146,726,135.17
2. Capital invested by holders of other equity instruments			999,697,169.81										999,697,169.81		999,697,169.81
3. Amount of share-based payment included into owners' equities					121,506,317.11								121,506,317.11		121,506,317.11
4. Others															
(III) Profit distribution								137,390,436.70		-303,268,772.23			-165,878,335.53	-23,309,227.52	-189,187,563.05
1. Withdrawal of surplus reserves								137,390,436.70		-137,390,436.70					
2. Withdrawal of general risk reserves															
3. Distribution to owners (or shareholders)										-100,878,335.53			-100,878,335.53	-23,309,227.52	-124,187,563.05
4. Others										-65,000,000.00			-65,000,000.00		-65,000,000.00

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(IV) Internal carry-over of owners' equities				-790,702.74					790,702.74			
1. Increased capital (or share capital) transferred from capital reserves												
2. Increased capital (or share capital) transferred from surplus reserves												
3. Recovery of losses by surplus reserves												
				-790.7					790.70			
4. Carry-over of retained earnings of changes in the defined benefit plan				02.74					2.74			
5. Carry-over of retained earnings by other comprehensive incomes												
6. Others												
(V) Special reserves												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others				-1,707,871.78					-1,707,871.78			-1,707,871.78
IV. Ending balance of the current period	1,453,721,310.00	1,996,516,981.13	6,538,107,510.94	-7,246,101.03	407,773,846.74	4,058,458,395.22	14,447,331,943.00	380,318,398.71	14,827,650,341.71			

8. Statement of changes in owners' equities of parent company

Amount of the current period

Unit: RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equities
		Preferred shares	Perpetual bonds	Others								
I. Ending balance of the last year	1,453,721,310.00		1,996,516,981.13		6,800,986,187.83		18,903,347.63		404,485,256.06	2,634,581,375.92		13,309,194,458.57
Plus: Changes in accounting policies												
Early error correction												
Others												
II. Beginning balance of the current year	1,453,721,310.00		1,996,516,981.13		6,800,986,187.83		18,903,347.63		404,485,256.06	2,634,581,375.92		13,309,194,458.57
III. Increase/decrease amount of the current period (the decrease is expressed with "-")			-996,819,811.32		10,404,524.75		-868,816.55		157,990,842.72	1,147,008,240.37		317,714,979.97
(I) Total comprehensive incomes										1,579,908,427.16		1,579,908,427.16
(II) Owner's capital input and reduction			-996,819,811.32		9,864,878.17							-986,954,933.15
1. Common shares contributed by owners												
2. Capital invested by holders of other equity instruments			-996,819,811.32		-3,180,188.68							-1,000,000,000.00
3. Amount of share-based payment included into owners' equities					13,045,066.85							13,045,066.85
4. Others												
(III) Profit distribution									157,990,842.72	-432,900,186.79		-274,909,344.07
1. Withdrawal of surplus reserves									157,990,842.72	-157,990,842.72		
2. Distribution to owners (or shareholders)										-159,909,344.07		-159,909,344.07
3. Others										-115,000,000.00		-115,000,000.00
(IV) Internal carry-over of owners' equities												
1. Increased capital (or share capital) transferred from capital reserves												
2. Increased capital (or share capital) transferred from surplus reserves												
3. Recovery of losses by surplus reserves												
4. Carry-over of retained earnings of changes in the defined benefit plan												
5. Carry-over of retained earnings by other comprehensive incomes												
6. Others												
(V) Special reserves												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others					539,646.58		-868,816.55					-329,169.97
IV. Ending balance of the current period	1,453,721,310.00		999,697,169.81		6,811,390,712.58		18,034,531.08		562,476,098.78	3,781,589,616.29		13,626,909,438.54

Amount of the last period

Unit: RMB

Item	2020											
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equities
		Preferred shares	Perpetual bonds	Others								
I. Ending balance of the last year	1,289,252,171.00		996,819,811.32		4,699,721,449.07		18,903,347.63		267,094,819.36	1,563,155,078.38		8,834,946,676.76
Plus: Changes in accounting policies												
Early error correction												
Others												
II. Beginning balance of the current year	1,289,252,171.00		996,819,811.32		4,699,721,449.07		18,903,347.63		267,094,819.36	1,563,155,078.38		8,834,946,676.76
III. Increase/decrease amount of the current period (the decrease is expressed with "-")	164,469,139.00		999,697,169.81		2,101,264,738.76				137,390,436.70	1,071,426,297.54		4,474,247,781.81
(I) Total comprehensive incomes										1,373,904,367.03		1,373,904,367.03
(II) Owner's capital input and reduction	164,469,139.00		999,697,169.81		2,103,763,313.28							3,267,929,622.09
1. Common shares contributed by owners	164,469,139.00				1,982,256,996.17							2,146,726,135.17
2. Capital invested by holders of other equity instruments			999,697,169.81									999,697,169.81
3. Amount of share-based payment included into owners' equities					121,506,317.11							121,506,317.11
4. Others												
(III) Profit distribution									137,390,436.70	-303,268,772.23		-165,878,335.53
1. Withdrawal of surplus reserves									137,390,436.70	-137,390,436.70		
2. Distribution to owners (or shareholders)										-100,878,335.53		-100,878,335.53
3. Others										-65,000,000.00		-65,000,000.00
(IV) Internal carry-over of owners' equities					-790,702.74					790,702.74		
1. Increased capital (or share capital) transferred from capital reserves												
2. Increased capital (or share capital) transferred from surplus reserves												
3. Recovery of losses by surplus reserves												
4. Carry-over of retained earnings of changes in the defined benefit plan					-790,702.74					790,702.74		
5. Carry-over of retained earnings by other comprehensive incomes												
6. Others												
(V) Special reserves												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others					-1,707,871.78							-1,707,871.78
IV. Ending balance of the current period	1,453,721,310.00		1,996,516,981.13		6,800,986,187.83		18,903,347.63		404,485,256.06	2,634,581,375.92		13,309,194,458.57

III. Company Profile

(1) Registered address, organization form and headquarters address of the Company.

Registered address: No. 1036, Langchao Road, Jinan City, Shandong Province

Organization form: Limited liability company

Headquarters address: No. 1036, Langchao Road, Jinan City, Shandong Province

Registered capital: RMB 1,453,721,310.00

Social credit code: 91370000706266601D

Legal representative: Peng Zhen

(2) Business nature and main operating activities of the Company.

Industry nature: Computer, communications and other electronic equipment manufacturing industry.

Main operating activities: Manufacturing and sales of computer software, hardware, and peripheral equipment; manufacturing and sales of Internet equipment; manufacturing and sales of communication equipment; manufacturing and sales of cloud computing equipment; information technology consulting services; network technology services; manufacturing and sales of information security equipment.

(3) Names of parent company and actual controller.

The Company's parent company is Inspur Group Co., Ltd.; the actual controller is Shandong Provincial State-owned Assets Supervision and Administration Commission.

(4) The financial statement has been approved by the Board of Directors of the Company on April 7, 2022.

Business term: from October 28, 1998 to non-fixed term.

(5) As of December 31, 2021, the subsidiaries within the scope of our consolidated financial statements are as follows:

S/N	Subsidiary name
1	Inspur (Beijing) Electronic Information Industry Co., Ltd.
2	Beijing Inspur Anda Technology Investment Co., Ltd.
3	Dingtian Shenghua (Beijing) Software Technology Co., Ltd.
4	Shenzhen Tianhecheng Industrial Development Co., Ltd.
5	Inspur Electronic Information (Hong Kong) Co., Ltd.
6	Inspur (Hong Kong) Electronics Co., Ltd.
7	Inspur Information (Hong Kong) International Co., Ltd.
8	InspurSystems,Inc_
9	InspurAssetHoldings,Inc
10	InspurHungaryKFT
11	Jinan Oriental Joint Technology Development Co., Ltd.
12	Shandong Yingxin Computer Technology Co., Ltd.
13	Zhengzhou Yunhai Information Technology Co., Ltd.
14	Shandong Inspur Import and Export Co., Ltd.
15	Guangdong Inspur Intelligent Computing Technology Co., Ltd.
16	Jinan Inspur Yunhai Computer Technology Co., Ltd.
17	Guizhou Inspur Yingxin Technology Co., Ltd.
18	Inspur (Qingdao) Electronic Information Industry Co., Ltd.
19	Inspur Power Commercial Systems Co., Ltd.
20	Shaanxi Inspur Yingxin Technology Co., Ltd.
21	Shanxi Inspur Electronic Information Industry Co., Ltd.
22	Anhui Inspur Electronic Information Industry Co., Ltd.
23	Inspur (Tianjin) Electronic Information Technology Co., Ltd.
24	Suzhou Inspur Intelligent Technology Co., Ltd.
25	Inspur (Xiamen) Computer Technology Co., Ltd.

26	Guiyang Inspur Intelligent Technology Co., Ltd.
27	Dongsheng Technology Information Co., Ltd.
28	Inspur (Nanning) Computer Technology Co., Ltd.
29	Inspur (Changchun) Computer Technology Co., Ltd.
30	Inspur (Beijing) Computer Technology Co., Ltd.
31	Inspur (Chengdu) Computer Technology Co., Ltd.
32	Yunnan Inspur Computer Technology Co., Ltd.
33	Fuzhou Inspur Computer Technology Co., Ltd.
34	Inspur (Jinan) Computer Technology Co., Ltd.
35	Inspur (Zhengzhou) Computer Technology Co., Ltd.
36	Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd.
37	ElectronicChannelLimited
38	ElectronicSupplyChainLimited
39	Inspur (Shandong) Computer Technology Co., Ltd.

For the changes in the scope of the consolidated financial statement, refer to "Note VIII. Changes in the Consolidation Scope and Note IX. Equity in Other Entities".

IV. Preparation Basis of the Financial Statements

1. Preparation basis

The financial statements of the Company are based on going-concern and are prepared in accordance with the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and relevant regulations, as well as the disclosure provisions of the China Securities Regulatory Commission's *Disclosure of Company Information Disclosure Rules No. 15. - General Provisions on Financial Reporting* (revised in 2014), based on actual transactions and events, and following important accounting policies and estimates.

The Company's accounting is based on the accrual basis. Except for certain financial instruments, these financial statements are measured based on historical cost. In case of the asset impairments, corresponding impairment reserves shall be calculated and withdrawn in accordance with relevant regulations.

2. Going-concern

The Company has the going-concern ability for at least 12 months from the end of the reporting period and has no significant events affecting its going-concern ability.

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policy and accounting estimate prompt:

The following disclosure content has covered the specific accounting policies and estimates formulated by the Company based on the actual production and operation characteristics. Refer to "Note V. 15. Inventory, and Note V. 36. Revenue" for details.

1. Declaration of complying with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of *Accounting Standards for Business Enterprises*, presenting the Company's financial condition as of December 31, 2021, operating results and cash flow of 2021 and other relevant information truly and completely.

2. Accounting period

The Company takes the calendar year as the fiscal year, namely, from January 1 to December 31.

3. Operating cycle

The normal operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents of the Company. The Company takes 12 months as an operating cycle, and uses it as a standard for classifying the liquidity of assets and liabilities.

4. Recording currency

The Company uses RMB as its recording currency.

5. Accounting treatment methods for business combination under the same control and not under the same control

Business combination refers to the transaction or event of two or more separate enterprises combining into a reporting entity. Business combination is divided into the business combination under the same control and business combination not under the same control.

(1) Business combination under the same control

The enterprises participating in the combination are ultimately controlled by the same party or the same parties before and after the combination, and the control is not temporary, which is a business combination under the same control. For business combination under the same control, the parties which have obtained the control rights for other combining enterprises on the combination date shall be considered as the combining party, and other participating enterprises are the combined party. The combination date refers to the day when the combining party actually obtains the control rights of the combined party.

For business combination under the same control, the assets and liabilities of the combining party obtained by the Company as combining party are measured by the book value of the combined party in the consolidated financial statement of the ultimate controlling party on the combination date, except for the adjustment due to different accounting policies. The difference between the book value of the combination consideration paid by the Company (or the total face value of the issued shares) and the book value of the net assets obtained in the combination shall be adjusted to the capital reserves. If the capital reserves are insufficient to offset, the retained earnings shall be adjusted.

The Company, as the combining party, incurs intermediary fees such as audit, legal services, evaluation and consulting, as well as other related management expenses during the combination, which are recognized in the current profits and losses at the time of occurrence. The transaction expenses directly related to the issuance of equity instruments as combination consideration are offset against the capital reserves (share capital premiums). If the capital reserves (share capital premiums) are insufficient to offset, the surplus reserves and undistributed profits are sequentially offset. The transaction expenses directly related to the issuance of debt instruments as combination consideration are included in the initial recognition amount of debt instruments.

(2) Business combination not under the same control

If the parties involved in the combination are not ultimately controlled by the same party or the same parties before and after the combination, they are business combination not under the same control. For business combination not under the same control, the parties which have obtained the control rights for other combining enterprises on the acquisition date shall be considered as the acquirer, and other participating enterprises are the acquiree. The acquisition date refers to the day when the acquirer obtains the control right over the acquiree.

For business combination not under the same control, the combination cost of the Company as the combining party is the sum of the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued by the Company on the acquisition date to obtain control right over the acquiree. The intermediary fees for auditing, legal services, evaluation and consulting, as well as other related management expenses incurred by the Company for business combination, should be recognized in the current profits and losses at the time of occurrence. The transaction expenses in issuing equity instrument or debt instrument as combination consideration of the Company shall be included in the initial recognition amount of equity instrument or debt instrument. Contingent consideration involved shall be included into the combination costs according to the fair value on the acquisition date; if new or further proofs appearing within 12 months after the acquisition date show that the contingent consideration needs to be adjusted, the combination goodwill shall be adjusted correspondingly.

The combination costs incurred by the Company as the combining party in a combination not under the same control and the identifiable net assets obtained in the combination are measured at fair value on the acquisition date. If the combination costs exceed the difference in the fair value share of the identifiable net assets obtained from the acquiree on the acquisition date, they are recognized as goodwill; if the combination cost is lower than the fair value share of the acquiree's identifiable net assets obtained during combination, the measurement of all identifiable assets, liabilities or fair value of contingent liabilities obtained from the acquiree as well as the combination costs shall be re-checked by the Company firstly. If the combination cost is still lower than the fair value share of the acquiree's identifiable net assets obtained during combination, the difference shall be included into the current profits and losses.

6. Methods for preparing consolidated financial statements**(1) Consolidated financial statement scope**

The Company incorporates all of its subsidiaries (including the individual entities controlled by the Company) into the scope of the consolidated financial statements, including the companies controlled by the Company, the divisible parts of the investees and the structured entities. Control means that the Company may control an investee and may participate in relevant activities of the investee to enjoy variable return and also is able to use the right for the investee to influence its amount of returns.

(2) Unified accounting policies, balance sheet date and accounting period of the parent company and subsidiaries

If the subsidiaries and the Company adopt inconsistent accounting policies or the accounting periods, when consolidated financial statements are prepared, the necessary adjustment will be made to the subsidiary's financial statements according to the Company's accounting policy or accounting period.

(3) Offset matters of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company based on other relevant information. When preparing the consolidated financial statements, all significant transaction balances, transactions, and unrealized profits between the Company and its subsidiaries, and between subsidiaries are offset. The Company prepares the consolidated financial statements by treating the whole conglomerate as the accounting subject and presenting overall financial conditions, operating results and cash flows of the conglomerate in accordance with the relevant requirements for recognition, measurement and reporting in the Accounting Standards for Business Enterprises and its centralized accounting policy. The shares in the owners' equities of the subsidiaries not attributable to the parent company shall be taken as minority equity and presented in "minority equity" under the "owners' equities" item in the consolidated balance sheet. Shares of minority equity in the current net profits and losses of the subsidiaries shall be presented in the "minority shareholders' profit and loss" under the "net profit" item in the consolidated profit statement. If the losses of the subsidiary shared by minority shareholders exceed the share that shall be enjoyed by minority shareholders in the subsidiary's shareholders' equities at the beginning of period, they shall be offset with minority equity.

(4) Accounting treatment for combined subsidiaries

For subsidiaries acquired by the Company through the business combination under the same control, it shall be deemed that the combination has already occurred at the time of real-time control from the ultimate controlling party. The opening balance of the consolidated balance sheet shall be adjusted, and the revenue, expenses, and profits of the subsidiary or business from the beginning of the current period to the end of the reporting period shall be included in the consolidated profit statement. The cash flows of the subsidiary or business from the beginning of the current period to the end of the reporting period shall be included in the consolidated cash flow statement, and relevant items in the comparative statements shall be adjusted.

For subsidiaries acquired by the Company through the business combination under the same control, the beginning balance of the consolidated balance sheet shall not be adjusted, and the revenue, expenses, and profits of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated profit statement; the cash flows of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated cash flow statement.

(5) Accounting treatment methods for the disposal of subsidiary equity to the loss of control right**① General disposal method**

If the Company disposes its subsidiaries or businesses in the reporting period, the revenue, expenses, and profits of the subsidiaries from the beginning of the business period to the disposal date shall be included into the Company's consolidated profit statement; the cash flows of the subsidiary or business from the beginning of the period to the disposal date shall be included in the Company's consolidated cash flow statement.

In case of losing the control right on the investee due to disposal of partial equity investment or other reasons, the disposed residual equity investment shall be re-measured by the Company as per the fair values on the day losing the control right. The Company will recognize the difference between the consideration obtained from the disposal of equity and the fair value of the remaining equity, minus the share of net assets of the original subsidiary that should have been continuously calculated from the acquisition date or combination date based on the original shareholding ratio, and the sum of goodwill, as return on investment in the current period when losing the control right, while offsetting goodwill. Other comprehensive incomes associated with the equity investment of the original subsidiaries shall be converted into current return on investment when the Company loses the control right.

② Step-by-step disposal of subsidiaries

If the Company disposes of its equity investment in a subsidiary through multiple transactions in a step-by-step manner until it loses control right, and the terms, conditions, and economic impact of the disposal of the equity investment in the subsidiary meet one or more of the following conditions, the Company will treat the multiple transactions as a package transaction for accounting treatment:

- i. These transactions are made at the same time or made in the case of considering mutual influence;
- ii. A complete business result can be reached only when these transactions are as a whole;
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- iv. One transaction is not economical individually, but when being considered together with other transactions, it is economical.

When the transaction which is disposed for the equity investment of the subsidiaries until losing control right is considered to be the package deal, the Company shall make the accounting treatment by considering various transactions as one transaction related to subsidiary disposal and losing the control right; however, the balance between the disposal price and the subsidiaries' net asset shares enjoyed corresponding to disposing investment before losing control right shall be recognized as other comprehensive incomes in the consolidated financial statements, which will be transferred into the current profits and losses of the period when losing the control right.

When the transactions for the equity investment of the subsidiaries until loss of control right are not considered to be the package deal, before the control right is lost, the accounting treatment shall be applied according to the related policies to the part of the disposal of the equity investment of the subsidiaries when the Company has not lost the control right; During the loss of control right, the accounting treatment shall be applied according to the general treatment method of the subsidiaries.

(6) Purchase of minority equity of subsidiaries

The Company calculates the net asset share difference which shall be enjoyed by the subsidiaries since the acquisition date (or combination date) according to the long-term equity investment and newly-increased shareholding ratio due to the purchase of minority equity, then, adjust the share capital premium about the capital reserves in the consolidated balance sheet. If the share capital premium in the capital reserves is insufficient to offset, the retained earnings shall be adjusted.

(7) Partial disposal of equity investments in subsidiaries without losing control right

Without losing the control right by the Company, concerning the balance between disposal cost acquired for partial disposal of long-term equity investment of the subsidiaries and share of net assets of the subsidiaries corresponding to disposal of long-term equity investment calculated in the sustainable way from the acquisition date or combination date, share capital premium in capital reserves shall be adjusted and combined to the consolidated balance sheet. In case that the share capital premium in capital reserves is insufficient in offset, the retained earnings shall be adjusted.

7. Classification of joint-operation arrangement and accounting treatment method of joint management

The joint-operation arrangement refers to the arrangement jointly controlled by two or more participants. The Company divides the joint-operation arrangement into joint management and joint venture according to the right enjoyed and the obligation borne in the joint-operation arrangement.

(1) Joint management

When the Company is the joint venturer based on joint-operation arrangement, enjoys related assets of the arrangement and bears related liabilities of the arrangement, it shall be deemed as joint management.

The Company recognizes the following items related to the interest shares in the joint management and should conduct accounting treatment in accordance with the provisions of relevant Accounting Standards for Business Enterprises: ① Recognize the assets separately held by the Company, and recognize the assets jointly held as per the share of the Company; ② Recognize the liabilities separately undertaken by the Company, and recognize the liabilities jointly undertaken as per the share of the Company; ③ Recognize the revenue generated from the sales of the output shares from joint management that shall be enjoyed by the Company; ④ Recognize the revenue generated from the joint management due to sales as per the share of the Company; ⑤ Recognize the expenses incurred independently and incurred by the joint management as per the share of the Company.

When the Company invests or sells assets to the joint management (the assets do not constitute business, the same below) as joint venturer, or buys assets from the date of joint management, the Company only recognizes the part belonging to other participants in the loss and gain incurred by the transaction before the assets are sold to a third party. If the asset impairment loss which conforms to the regulations in the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment* happens, as for the conditions that the Company invests or sells assets to the joint management, the Company shall recognize the loss in full. As for the conditions that the Company purchases the asset from the date of joint management, the Company recognizes the loss according to the share borne.

(2) Joint venture

Joint venture refers to the joint-operation arrangement that the Company only has the right of net assets in such arrangement. The Company adopts the equity method for accounting the investments in joint ventures. For relevant accounting policies, refer to "Note V. 21. Long-term Equity Investments".

8. Determination criteria of cash and cash equivalents

Cash determined by the Company when preparing the cash flow statement refers to the cash on hand of the Company and deposit which can be used to make payment at any time.

Cash equivalents determined by the Company when preparing the cash flow statement refers to the short-term investments with strong mobility, which is easy to be transferred into known amounts of cash and with fewer risks of value change.

9. Translation of foreign currency transaction and foreign currency financial statements**(1) Translation of foreign currency transaction**

The foreign currency transaction of the Company is converted into standard money by using the spot rate on the transaction date and included into the accounts.

On the balance sheet date, the Company's foreign currency monetary items shall be converted according to the spot exchange rate. The resulting exchange difference of foreign currency loan related to the acquisition of assets complying with capitalization conditions shall be subject to the principle of borrowing expense capitalization. While, all other exchange differences shall be included into the current profits and losses.

Foreign currency non-monetary items measured at historical cost are still converted by the Company at the spot exchange rate on the date of transaction, and the amount in recording currency does not change. For foreign currency non-monetary items measured at fair value, spot exchange rate on the fair value determination day will be used for conversion. The difference between the converted recording currency amount and the original recording currency amount shall be taken as the fair value fluctuation (including exchange rate fluctuation) and included into the current profits and losses or other comprehensive incomes.

(2) Translation of foreign currency financial statements

If the Company's holding subsidiaries, associated enterprises, joint ventures, etc. adopt different recording currency from the Company, they shall firstly conduct the translation of the foreign currency financial statements, and then conduct business accounting and prepare the consolidated financial statements.

The asset and liability items in the foreign currency balance sheet shall be converted by the Company in accordance with the spot exchange rate on the balance sheet date. Among the item of owners' equities, except for the item of "undistributed profits", other items will be translated adopting the spot exchange rate on the transaction date. The revenue and expense items in the foreign currency profit statement shall be converted by the Company adopting the approximate exchange rate of spot exchange rate on the transaction date. The translation difference of foreign currency financial statement should be presented under other comprehensive incomes of the item of owners' equities in the balance sheet.

If the foreign currency cash flow is recognized in the system reasonable method, it shall be converted by the Company adopting the approximate exchange rate of the spot exchange rate on the transaction date. The amount that is affected by the exchange rate fluctuation on cash shall be separately presented in the cash flow statement.

During disposal of overseas business, translation difference in the foreign currency statements related to the overseas business shall be transferred into the current profits and losses in full or disposal proportion of overseas business.

10. Financial instruments

Financial instruments refer to contracts of forming the financial assets of one party and the financial liabilities or equity instruments of other parties. The Company recognizes a financial asset or financial liability and equity instrument when it becomes a party to a financial instrument contract.

(1) Classification, recognition and measurement of the financial assets

During the initial recognition of financial assets, based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company divides financial assets into: financial assets measured at the amortized cost; financial assets measured at the fair value with the changes included into other comprehensive incomes; financial assets measured at the fair value with the changes included into the current profits and losses.

Financial assets should be measured at the fair value at the initial recognition. For financial assets measured at the fair value with the changes included into the current profits and losses, the related transaction expenses shall be directly included into the current profits and losses; for other types of financial assets, the related transaction expenses are included into the initial recognition amount. For accounts receivable or notes receivable generated from selling products or providing labor services, excluding or taking no account of the accounts receivable or notes receivable of significant financing components, the Company takes the amount of consideration anticipated to be collected as initial recognition amount.

1) Debt instruments held by the Company:

① Financial assets measured at the amortized cost

The business model of the Company to manage the financial assets targets at collecting the contractual cash flow. What's more, the contractual cash flow characteristics of the financial assets are consistent with the basic lending arrangement, that is, the cash flow generated in the specific date is the payment of the interest based on the principal and the outstanding principal amount. The Company recognizes interest income for such financial assets using the effective interest method and subsequently measures them at amortized cost. Gains or losses arising from amortization or impairment are recognized in the current profits and losses. The Company's financial assets mainly include monetary capital, notes receivable, accounts receivable, other receivables, creditor's right investment, etc. The Company presents creditor's right investment and long-term receivables due within one year (inclusive) from the balance sheet date as non-current assets due within one year; if the period of the creditor's right investment is within one year (inclusive), the creditor's right investment shall be presented as other current assets.

② Financial assets measured at the fair value with the changes included into other comprehensive incomes

The business model of the Company to manage the financial assets targets at collecting the contractual cash flow, and contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangement. Such financial assets are measured at fair value with the changes included into other comprehensive incomes, but impairment loss or gain, exchange gain or loss and interest income calculated as per effective interest method are included into the current profits and losses. Such financial assets of the Company mainly include receivables financing and other creditor's right investments. Other creditor's right investments due within one year (inclusive) from the balance sheet date shall be presented as the non-current assets due within one year; if the period of the creditor's right investment is within one year (inclusive), other creditor's right investments shall be presented as other current assets.

③ Financial assets measured at the fair value with the changes included into the current profits and losses

The Company classifies financial assets except for above-mentioned financial assets measured at the amortized cost and financial assets measured at the fair value with the changes included into other comprehensive incomes into financial assets measured at the fair value with the changes included into the current profits and losses, and presents them as trading financial assets. Furthermore, at the time of the initial recognition, to eliminate or significantly reduce the accounting mismatch, the Company designates partial financial assets as the financial assets measured at the fair value with the changes included into the current profits and losses. For such financial assets, the Company adopts the fair value for the subsequent measurement, and the changes in fair value are included into the current profits and losses. If it matures more than one year from the balance sheet date and is expected to be held for more than one year, it shall be presented as other non-current financial assets.

2) Equity instrument investments of the Company:

The Company classifies the equity instrument investments which it does not control or jointly control and does not have the significant influence into the financial assets measured at the fair value with the changes included into the current profits and losses, and presents them as the trading financial assets; if it is expected to be held for more than one year from the balance sheet date, it shall be presented as other non-current financial assets. Furthermore, the Company designates partial non-tradable equity instrument investments as the financial assets measured at the fair value with the changes included into other comprehensive incomes, and presents them as other equity instrument investments. Such designation cannot be revoked once made. The Company includes the related dividend income of such financial assets into the current profits and losses with the changes in the fair value included into other comprehensive incomes. At the time of derecognition of such financial assets, the accumulated gain or loss included into other comprehensive incomes before will be shifted to retained earnings from other comprehensive incomes but not included into the current profits and losses.

(2) Classification, recognition and measurement of financial liabilities

The Company classifies financial instruments or its components into financial liabilities or equity instruments during the initial recognition in accordance with contract terms of the issued financial instruments and reflected economic essence in legal forms and others, in combination with definitions of financial liabilities and equity instruments.

At the time of initial recognition, the Company divides the financial liabilities into the financial liabilities measured at the fair value with the changes included into the current profits and losses and other financial liabilities.

Financial liabilities measured at the fair value with the changes included into the current profits and losses are subsequently measured at fair value, with gains or losses arising from changes in fair value and interest expenditure related to the financial liability included into the current profits and losses.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The financial liabilities of the Company are mainly the financial liabilities measured at the amortized cost, including the notes payable and accounts payable, other payables, borrowings and bonds payable. The initial measurement of such financial liabilities is conducted based on the amount after the transaction expenses are deducted from the fair value, and the subsequent measurement is conducted using the effective interest method. The liabilities due within one year (inclusive) are presented as the current liabilities; if the term is more than one year but expires within one year (inclusive) from the balance sheet date, the liabilities are presented as the non-current liabilities due within one year; others are presented as non-current liabilities.

(3) Difference between financial liabilities and equity instruments and the relevant treatment methods

The Company distinguishes between financial liabilities and equity instruments according to the following principles: (1) If the Company cannot unconditionally avoid the delivery of cash or other financial assets from fulfilling a contractual obligation, the contractual obligations shall be in line with the definition of financial liabilities. Some financial instruments do not explicitly include the terms and conditions of the delivery of cash or other obligations of financial assets, but it is possible to form contractual obligations indirectly through other terms and conditions. (2) If a financial instrument shall be or may be settled by the Company's own equity instrument, it needs to be taken into account whether the Company's own equity instrument for the settlement of the instrument is cash or other financial assets' substitutes or for the purpose of the instrument holder's residual interests in asset after the Company's deducting all of its liabilities. In case of the former one, the instrument is the Company's financial liabilities. In case of the latter one, the instrument is the Company's equity instruments. Under some circumstances, a financial instrument contract specifies that the Company shall or can use its own financial instrument to carry out the settlement of such financial instrument, the amount of the contractual rights or obligations of which is equal to available or delivery number of its own equity instruments multiplied by the fair value at the settlement. Therefore, regardless of that the amount of the contractual rights or obligations is fixed, or changes completely or partially based on variables (such as interest rates, a commodity price or a financial instrument price) other than the market price of the Company's own equity instruments, the contract will be classified as financial liabilities.

When classifying financial instruments (or their components) in the consolidated statements, the Company takes into account all terms and conditions agreed between the Group members and the holders of financial instruments. If the Group as a whole assumes the obligation to deliver cash, other financial assets or to settle accounts in any other manner that causes the instrument to become financial liabilities, the instrument shall be classified as financial liabilities.

If the financial instruments or components thereof become financial liabilities, the relevant interests, dividends (or share dividends), gains or losses as well as gains or losses generated by redemption or refinancing asset, and so forth, shall be included into the current profits and losses by the Company.

As for financial instruments or their components pertain to equity instruments, their issuance (including refinancing), counter purchase, sell or write-off shall be served as the change handling of equities by the Company. The Company does not recognize changes in fair value of equity instruments, and transaction expenses related to equity transactions are deducted from equity; the Company considers the allocation of the equity instrument holder as the allocation of profits; issued stock dividends do not influence the total shareholders' equities.

(4) Recognition basis and measurement method for transfer of financial assets

The derecognition shall be made by the Company for financial assets in case of satisfying one of the following conditions: ① The contractual rights which will charge the financial assets' cash flow are terminated; ② The financial assets have been transferred, and the Company has transferred almost all the risks and rewards of ownership of financial assets to the transferee; ③ The financial assets have been transferred, and although the Company has neither transferred nor reserved almost all the risks and rewards of ownership of financial assets, it has waived the control on the financial assets. If the Company neither transfers nor reserves any risks and rewards of ownership of financial assets, and does not waive the control on the financial assets, it shall accord to the extent of its continued involvement in the transferred financial assets to recognize the related financial assets and relevant liabilities accordingly. The degree to which the transferred financial assets continue to be involved refers to the level of risks faced by the Group due to changes in the value of the financial assets.

When the derecognition of other equity instrument investments is made, the difference between the book value and the sum of the received consideration and the accumulated fair value change amount originally included into other comprehensive incomes is included into the retained earnings by the Company; When the derecognition of the remaining financial assets is made, the difference between the book value and the sum of the received consideration and the accumulated fair value change amount originally included into other comprehensive incomes is included into the current profits and losses.

If the Company transfers the financial assets sold in the way of attached recourse or transfers the held financial assets in the way of endorsement, it has to recognize whether almost all the risks and rewards of financial asset's ownership have been transferred. In case of transferring almost all the risks and rewards of ownership of financial assets to the transferee, the financial assets will be derecognized; if almost all risks and rewards about the ownership of financial assets have been reserved, such financial assets shall not be derecognized; If almost all risks and rewards about the ownership of financial assets have not been transferred or retained, judgment shall be done continuously to recognize whether the Group has reserved the control of the assets, and accounting treatment shall be conducted in accordance with the above-mentioned principles.

(5) Derecognition of financial liabilities

If the current obligation of financial liabilities (or partial financial liabilities) is terminated, derecognition of such financial liabilities (or partial financial liabilities) is conducted by the Company. In case the Company (borrower) signs an agreement with the lender, for original financial liabilities that are replaced by the new financial liabilities and there are substantial differences in the contract terms between the new and the original financial liabilities, the derecognition of the original financial liabilities shall be carried out and the new financial liabilities shall be recognized at the same time. In case of material alteration of contract terms of original financial liabilities (partial financial liabilities), the Company derecognizes original financial liabilities and recognize a new financial liability as per modified terms.

Where the financial liabilities (or partial financial liabilities) are derecognized, the Company will include the balance between its book value and the paid considerations (including the non-cash assets transferred out and the liabilities assumed) into the current profits and losses.

(6) Offset of financial assets and liabilities

When the Company has the legal right to offset the recognized financial assets and liabilities and is entitled to perform the aforesaid legal right at the present, and the Company intends to settle or sell off the financial assets and pay off the financial liabilities by the net amount, the financial assets and liabilities shall be presented in the balance sheet with the amount after the mutual offset. Besides, the Company's financial assets and liabilities should be separately presented in the balance sheet and should not be offset with each other.

(7) Determination method of the fair values of financial assets and liabilities

The fair value is a price received by the market participants from selling asset or transferring liability during the orderly transaction at the measurement date. For the financial instruments where active market exists, the Company recognizes the fair value by the quotation in the active market. The quotations in the active market refer to the prices that are easily available from the exchanges, brokers, industry associations, pricing service institutions and so on regularly, and represent the prices of market transactions actually occurring in the fair dealing. Where there is no active market for financial instruments, the Company adopts valuation technique to determine its fair value. The valuation technique includes prices adopted by the parties who are familiar with the condition and willing to conduct the transaction in latest market transaction, referring to the current fair value of other substantially same financial instruments, the discount cash flow method and the option pricing models, etc. In valuation, the Company adopts applicable valuation techniques supported by sufficient utilizable data and other information in current circumstances, selects input values consistent with asset or liability features considered in relevant assets or liabilities transactions of market participators and prioritizes the applying relevant observable input values. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

To sum up, the Company divides input values used in fair value measurement into three levels, that is, firstly use the first level input value, then second level input value and finally the third level input value. The first level input value refers to the quotation (without adjustment) of the same assets or liabilities on the active market acquired on the measurement date. The second level input value is the directly or indirectly observable input value of related assets or liabilities except for the first level input value. The third level input value is the unobservable input value of related assets or liabilities.

(8) Impairment of financial assets

The Company recognizes loss reserves based on expected credit losses for financial assets measured at the amortized cost, creditor's right investment measured at the fair value with the changes included into other comprehensive incomes, contract assets, etc.

① Measurement of the expected credit losses

Considering the reasonable and well-founded information, such as, relevant past events, current situation and forecast to the future economic status, and by taking the risks of default as the weight, the Company calculates the probability weighted amount of the present value of the difference between the receivable cash flow and the cash flow expected to be received, and recognizes it as the expected credit losses.

On each balance sheet date, the Company separately measured the expected credit losses of the financial instruments in different stages. After the initial recognition, if the credit risk of the financial instrument is not increased significantly, it is in the first stage, and the Company should measure the loss reserves according to the expected credit losses of the future 12 months; if the credit risk of a financial instrument has significantly increased since initial recognition but has not yet experienced credit impairment, it is in the second stage. The Company measures the loss reserves based on the expected credit losses of the instrument over its entire lifespan; if a financial instrument has experienced credit impairment since its initial recognition and is in the third stage, the Company measures the loss reserves based on the expected credit losses of the instrument over its entire lifespan.

For the financial instrument with a lower credit risk on the balance sheet date, the Company assumes that its credit risks have not increased significantly since the initial recognition, and measures the loss reserves according to the expected credit losses of the future 12 months.

For financial instruments in the first stage and second stage, as well as those with lower credit risk, the Company calculates interest income based on their book balance without deducting impairment provisions and actual interest rate. For financial instruments in the third stage, the interest incomes should be calculated according the amortized cost after its book balance minus the calculated impairment reserves and the effective interest rate.

For the notes receivable, accounts receivable, contract assets and receivables financing formed by daily operating activities such as sales of goods and provision of labor services, the Company measures loss reserves based on expected credit losses throughout the duration regardless of whether there is a significant financing component.

A Accounts receivable:

The Company conducts separate impairment tests on notes receivable, accounts receivable, other receivables, receivables financing, etc. that have objective evidence indicating impairment, and other receivables that are suitable for individual evaluation, to recognize expected credit losses and make provisions for individual impairment. In case of notes receivable, accounts receivable, other receivables and receivables financing without impairment objective evidence or when the information on expected credit loss of single financial asset fails to be assessed with reasonable cost, the Company shall divide notes receivable, accounts receivable, other receivables, and receivables financing into several portfolios according to credit risk characteristics and calculate the expected credit loss on the basis of such portfolios. The basis for recognizing the portfolio is as follows:

a. The basis for recognizing the portfolio of notes receivable is as follows:

Notes receivable portfolio 1- bank acceptance bills	Banks with low credit risks
Notes receivable portfolio 2 - commercial acceptance bills	Enterprises with high credit risks

For notes receivable divided into portfolios, by referring to the historical credit loss experience and combining with the current situations and the forecast to the future economic status, the Company calculates the expected credit losses according to the exposure at default and the expected credit loss rate in the entire duration.

b. The basis for recognizing the portfolio of accounts receivable is as follows:

Accounts receivable from related parties within the consolidation scope	This portfolio is the accounts receivable with low risks from related parties within the consolidation scope
Accounts receivable from other dealer customers	This portfolio adopts the account age of receivables as the credit risk characteristics

For accounts receivable divided into portfolios, the Company refers to historical credit loss experience, combines current conditions with predictions of future economic conditions, and prepares a comparison table between the overdue days of accounts receivable and the expected credit loss rate for the entire existence period to calculate the expected credit loss.

c. The basis for recognizing the portfolio of other receivables is as follows:

Dividends receivable	This portfolio is dividends receivable
Interest receivable	This portfolio is interest receivable from financial institutions
Accounts receivable from related parties within the consolidation scope	This portfolio is the accounts receivable with low risks from related parties within the consolidation scope
Reserves receivable	This portfolio is the temporary reserves receivable from our employees
Deposit receivable	This portfolio includes various types of deposits receivable in daily and regular activities
Other receivables	This portfolio includes various types of advance payments and business performance bonds receivable in daily and regular activities

For other receivables divided into portfolios, by referring to the historical credit loss experience and combining with the current situations and the forecast to the future economic status, the Company calculates the expected credit losses according to the exposure at default and the expected credit loss rate in the future 12 months or the entire duration.

d. The basis for recognizing the portfolio of receivables financing is as follows:

Bank acceptance bills	Banks with low credit risks
Commercial acceptance bills	Enterprises with high credit risks
Accounts receivable	Receivable from general dealers

For receivables financing divided into portfolios, by referring to the historical credit loss experience and combining with the current situations and the forecast to the future economic status, the Company calculates the expected credit losses according to the exposure at default and the expected credit loss rate in the entire duration.

B Creditor's right investment and other creditor's right investments

As for creditor's right investment and other creditor's right investments, the Company calculates the expected credit loss pursuant to the investment nature, all kinds of counterparties and risk exposures and exposure at default and expected credit loss rate in the next 12 months or during the entire duration.

② Low credit risks

If the default risk of financial instruments is low and the borrower's ability of performing its contractual cash flow obligations within a short time is very strong which is necessarily reduced even though the adverse change of economic situation and business environment exists over a long period, this financial instrument will be deemed as with low credit risk.

③ Significant increase of credit risks

The Company recognizes the relative change in probability of default of financial instrument during the expected duration by comparing the probability of default of financial instrument during the expected duration recognized on the balance sheet date with that during the expected duration recognized at the moment of initial recognition, to assess whether the credit risk of the financial instrument has remarkably increased after initial recognition.

At the time of recognizing whether the credit risk has obviously increased after initial recognition, the Company considers that it is unnecessary to pay unnecessary extra costs or make efforts to get the reasonable and evidence-based information, including forward-looking information. The information considered by the Company includes:

- A. Whether there is a significant change in internal price indicators caused by changes in credit risk;
- B. Whether the expectation will cause adverse change in the business, finance or economy changes obviously from the debtor's performance of its debt repayment obligations;
- C. Whether the debtor's operating results actually or will obviously change; whether the significant adverse change happens to the regulatory, economic, or technological environment where the debtor is;
- D. Whether the value of collateral as mortgage of debt or the third party guarantee or credit enhancement quality remarkably changes. These change expectations will lower the debtor's economic motive of repayment as per the period set forth in the contract or influence the probability of default.
- E. Whether the expectations will be changed significantly when the debtor's economic motive of repayment is lowered pursuant to the period specified in the contract;
- F. The estimated changes of the loan contract include whether waiver or amendment of contractual obligations is likely caused by estimated breach of contract, whether the interest-free period will be given, whether the interest rate will rise, whether additional collateral or guarantee will be required or other change in the contract framework of financial instruments;
- G. Whether the debtor's expected performance and repayment behavior obviously change;
- H. Whether the contract payment exceeds the time limit for more than 30 days (inclusive).

The Company will assess whether the credit risk significantly increases on the basis of single financial instrument or financial instrument portfolio pursuant to financial instrument nature. When the assessment is based on financial instrument portfolio, the Company can classify the financial instruments based on common credit risk characteristics, such as overdue information and credit risk rating.

In general, the Company will recognize that the credit risk of the financial instrument has obviously increased in case of exceeding the time limit for more than 30 days. Excluding the rational and well-founded information that can be obtained by the Company without more cost or effort, it proves that, although the overdue exceeds the payment term (30 days) agreed in the contract, the credit risk is not obviously increased since the initial recognition.

④ Financial assets with credit impairment having occurred

The Company assesses whether the credit impairment happens as per the financial assets measured at the amortized cost and the creditor's right investment measured at the fair value with the changes included into other comprehensive incomes on the balance sheet date. When one or several events with adverse effect on the expected future cash flow of the financial assets occur, such financial assets will become those with credit impairment. The evidences showing that the credit impairment of financial assets has occurred include the following observable circumstances: major financial difficulty occurs to the issuer or the debtor; the debtor breaches any of the contract, for example, fails or delays paying interests and principal, etc.; the creditor gives the debtor concessions that it won't make under any other circumstances in consideration of the economy or contract relating to debtor's financial difficulties; the debtor is likely to go bankrupt or carries out other financial restructuring; the active market of such financial assets disappears due to the financial difficulty of the issuer or the debtor; such discount reflects the fact that the credit loss has happened when a financial asset is purchased based on a big discount or originated.

⑤ Presentation of expected credit loss reserves

To reflect the changes in the credit risk of financial instruments after the initial recognition, the Company re-measures the expected credit losses on each balance sheet date, and the increased or returned amount of loss reserves formed should be included into the current profits and losses as impairment losses or gains. As for the financial assets measured at the amortized cost, the loss reserves should be used to offset the book value of such financial assets presented in the balance sheet; as for the creditor's right investment measured at the fair value with the changes included into other comprehensive incomes, the Company will recognize its loss reserves in other comprehensive incomes and will not deduct the book value of such financial assets.

⑥ Write-off

If the Company no longer reasonably expects the contractual cash flow of the financial assets to be fully or partially recovered, the book balance of the financial assets shall be directly reduced, which constitutes the derecognition of the relevant financial asset. This usually occurs when the Company recognizes the debtor has no assets or revenues to produce sufficient cash flow to repay the amount written down. If the financial assets written down are taken back, such financial assets should be turned back and included into the current profits and losses taken back as impairment loss.

11. Notes receivable

For the determination method and accounting treatment method of expected credit losses of notes receivable, refer to "Note V. 10. Financial Instruments".

12. Accounts receivable

For the determination method and accounting treatment method of expected credit losses of accounts receivable, refer to "Note V. 10. Financial Instruments".

13. Receivables financing

When both notes receivable and accounts receivable meet the following conditions, the Company classifies them as financial assets measured at the fair value with the changes included into other comprehensive incomes. The specific accounting treatment is shown in financial instruments, which are presented as receivables financing in the financial statements:

(1) Contractual cash flow is only the payment of principal and interest based on the principal and the outstanding principal amount;

(2) The Company's business model for managing notes receivable and accounts receivable is aimed at both collecting contractual cash flows and selling them.

14. Other receivables

Determination method and accounting treatment method of expected credit loss of other receivables

For the determination method and accounting treatment method of expected credit losses of other receivables, refer to "Note V. 10. Financial Instruments".

15. Inventory**(1) Classification of inventory**

Inventories include finished goods or goods for sale in daily activities, products in progress in the manufacturing process, and materials and supplies consumed in the process of work-in-process or providing labor services, etc. held by the Company. It mainly includes raw materials, turnover materials, commissioned processing materials, packaging materials, products in progress, finished products (inventory goods), etc.

(2) Valuation method of inventory delivered

When inventory is shipped, the Company adopts the moving weighted average method to determine the actual cost of its shipment.

(3) Calculation and withdrawal method of inventory falling price reserves

On the balance sheet date, the Company's inventory will be measured based on cost or net realizable value, whichever is lower.

The Company determines the net realizable value of inventory that can be directly sold, such as finished products, goods, and materials for sale, based on the estimated selling price of such inventory minus the estimated sales expenses and relevant taxes and fees; the net realizable value of materials and other inventories held for production shall be determined according to the amount of estimated selling price of finished products minus the estimated cost to be incurred at the time of completion, estimated sales expenses and relevant taxes and fees; as for the inventory held for performance of sales contract or labor contract, its net realizable value will be calculated based on the contract price. In case that the quantity of inventory held by the Company is larger than the quantity ordered in sales contract, the net realizable value of additional inventory shall be calculated based on general selling price.

The inventory falling price reserves will be calculated and withdrawn based on single inventory item by the Company. However, in case of some inventories related to product series produced and sold in the same region, possessing the same or similar end use or purpose and being difficult to be separately measured with other items, combine measurement cost and net realizable value; for those large-volume and low unit price inventories, the Company will measure the cost and net realizable value according to their categories.

On the balance sheet date, if the inventory cost is higher than its net realizable value, the inventory falling price reserves shall be consolidated for calculation and withdrawal and be included into the current profits and losses. If the factors causing any depreciation of inventory value have disappeared, the amount of depreciated inventory value shall be resumed and reversed by the Company from the inventory falling price reserves that has been made. The reversed amount shall be included into the current profits and losses.

(4) Inventory system

The inventory system of the Company is the perpetual inventory system.

(5) Amortization method for low-value consumables and packaging materials

The Company's low-value consumables and packaging materials adopt a one-off write-off method for amortization.

16. Contract assets

The right to receive consideration from customers that is owned and unconditional (namely, dependent only on the passage of time) is presented by the Company as a receivable. Rights to receive consideration for goods that have been transferred to the customer and that are dependent on factors other than the passage of time are presented as contract assets. If the Company sells two clearly distinguishable products to a customer, and thus has the right to collect the payment for the product that has been delivered to the customer, but the payment collection is dependent on the delivery of the other product, the Company will consider the payment collection right as a contract asset.

For the notes receivable, accounts receivable, contract assets and receivables financing formed by daily operating activities such as sales of goods and provision of labor services, the Company measures loss reserves based on expected credit losses throughout the duration regardless of whether there is a significant financing component.

17. Contract costs

The contract performance cost refers to the cost incurred by the Company in fulfilling the contract, which does not fall within the scope of other standard specifications beyond the revenue standard and meets the following conditions simultaneously:

- (1) The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer, and other costs incurred solely due to the contract;
- (2) The cost increases the resources used by the Company for the future performance obligations;
- (3) The cost is expected to be recovered.

The following expenses of the Company are recognized in the current profits and losses at the time of occurrence:

- (1) Management expenses.
- (2) Non normal consumption of direct materials, direct labor, and manufacturing expenses (or similar expenses), which are incurred in fulfilling the contract but are not reflected in the contract price.
- (3) Expenses related to the fulfilled part of the performance obligation.
- (4) Related expenses that cannot be distinguished between unfulfilled and fulfilled performance obligations.

The incremental cost incurred by the Company to obtain the contract and expected to be recovered is recognized as an asset as the contract acquisition cost; if the amortization period of the assets does not exceed one year, the assets shall be included into the current profits and losses at the time of occurrence. Incremental costs refer to costs that the Company will not incur without obtaining a contract (such as sales commissions, etc.). For expenditures incurred by the Company to obtain a contract other than incremental costs expected to be recovered (such as rate differential fees that would have been incurred regardless of whether the contract was obtained), they are recognized in the current profits and losses when incurring, except for those expressly borne by the customer.

The Company's assets related to the contract cost are amortized on the same basis as the revenue recognition of goods or services related to the assets, and included in the current profits and losses.

If the book value of the assets related to contract costs is higher than the difference between the following two, the Company will calculate and withdraw impairment reserves of the excess part and recognize it as asset impairment loss:

- 1) Remaining consideration expected to be obtained by the Company due to the transfer of goods related to the assets;
- 2) Cost estimated to be occurred arising from the transfer of the relevant goods.

If there is a change in the impairment factors of the previous period, resulting in the difference between 1) and 2) being higher than the book value of the asset, the Company will reverse the previously calculated and withdrawn asset impairment reserves and include them into the current profits and losses. However, the reversed asset book value will not exceed the book value of the asset on the reversal date assuming no impairment reserves is made.

18. Creditor's right investment

For the determination method and accounting treatment method of expected credit losses of creditor's right investment, refer to "Note V. 10. Financial Instruments".

19. Other creditor's right investments

For the determination method and accounting treatment method of expected credit losses of other creditor's right investments, refer to "Note V. 10. Financial Instruments".

20. Long-term receivables

For the determination method and accounting treatment method of expected credit losses of long-term receivables, refer to "Note V. 10. Financial Instruments".

21. Long-term equity investment

Long term equity investment refers to the long-term equity investment in which the Company has control, joint control, or significant influence over the investee.

- (1) Determination of initial investment cost

① For long-term equity investment obtained by the Company through the business combination under the same control, the share of book value of the owner's equity of the combined party shall be recognized as the initial cost; for the business combination not under the same control, the combination costs determined on the acquisition date shall be recognized as the initial costs;

② For other equity investments except for long-term equity investment formed by the Company through the combination, the long-term equity investment gained after paying in cash and initial investment cost shall be the purchasing price actually paid; for long-term equity investment obtained through issuing equity securities, the initial investment cost is the fair value of issuing equity securities; the initial investment cost of a long-term equity investment obtained by debt restructuring shall be determined in accordance with *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring*; non-monetary assets are gained by exchange, and initial investment cost is recognized according to relevant provisions of the standards.

(2) Subsequent measurement and recognition method of profits and losses

① Accounting by cost method

Long-term equity investment for the investee that the Company actually controls is subject to the cost method for accounting. For the long-term equity investment accounting by the cost method, the book value shall remain unchanged in general, except for adding or recouping investment. The portion of profits or cash dividends declared to be distributed by the investee shall be recognized as return on investment by the Company.

② Accounting by equity method

Equity method shall be used in the calculation of the long-term equity investment of associated enterprises and joint ventures by the Company. When the equity method is used, if the initial investment cost of long-term equity investment is more than the attributable share of the fair value of the investee's identifiable net assets at the time of the investment, the initial investment cost of the long-term equity investment shall be not adjusted; if the initial investment cost is less than the fair value of the investee's identifiable net assets that shall be enjoyed during investment, the balance is included into the current profits and losses, and the cost of long-term equity investment can be adjusted.

When the equity method is used for accounting, the Company recognizes the return on investment and other comprehensive incomes separately based on the share of net profit and loss and other comprehensive incomes realized by the investee that should be enjoyed or shared, and adjusts the book value of the long-term equity investment accordingly; the Company will accordingly reduce the book value of the long-term equity investment in terms of the due part calculated according to the profit or cash dividend declared by the investee to be distributed; for the changes of owners' equities of the investee other than the net profits and losses, other comprehensive incomes and profit distribution, the book value of long-term equity investment shall be adjusted and included in the capital reserves. The Company shall, on the basis of the fair value of all identifiable assets of the investees when it obtains the investment, recognize the attributable share of the net profits and losses of the investees after it adjusts the net profits of the investee. If the accounting policy and accounting period adopted by the investee is different from those adopted by the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policy and accounting period of the Company to recognize the return on investment and other comprehensive incomes.

When the net loss of the investee that shall be shared is recognized by the Company, it shall be limited to writing off the book value of long-term equity investment and other long-term equity substantially constituting the net investment in the investee to the zero. Besides, if the Company is obliged to bear the extra loss for the investee, it shall be necessary to determine estimated liabilities and record them to current investment loss in compliance with obligations expected to be assumed. If the investee realizes any net profits later, the Company shall, after the amount of its attributable share of income offsets its attributable share of the unrecognized losses, resume to recognize its attributable share of income.

(3) Conversion of accounting methods for long-term equity investment

① Conversion of fair value measurement to equity method accounting: in case of accounting treatment for equity investment (without control, joint control or significant influence) of the investee originally held by the Company being conducted in light of financial instrument recognition and measurement criterion and equity investment being able to exert joint control or significant influence against the investee after increase in shareholding ratio due to additional investment, etc., when changing to business accounting conducted in line with equity method, the investor shall take fair value of original equity investment recognized as per financial instrument recognition and measurement criterion which is added with fair value of consideration paid for gaining new investment as initial investment cost whose business accounting is based on equity method.

② Conversion of fair value measurement or equity method accounting to cost method accounting: in case of long-term equity investment originally held by the Company without control, joint control or significant influence against the investee whose accounting treatment is based on financial instrument recognition and measurement criterion or long-term equity investment originally held to associated enterprises and joint ventures being able to control the investee due to additional investment, etc., accounting treatment shall be conducted based on the long-term equity investment formed after relevant business combination.

③ Conversion of equity method accounting to fair value measurement: If long-term equity investment originally held by the Company with joint control or significant influence against the investee cannot exert joint control or significant influence against the investee any more on account of decreased in shareholding ratio incurred by partial disposal, etc., accounting treatment for remaining equity investment shall be conducted based on financial instrument recognition and measurement criterion and the balance between fair value and book value on the date when the joint control or significant influence is lost shall be included into the current profits and losses.

④ Conversion of cost method to equity method or fair value measurement: if the Company loses control to the investee due to disposing equity part of investment, and the residual equity may exert joint control or significance on the investee while preparing individual financial statement, it will be measured and adjusted with equity method; in case of the disposed residual equity being not able to jointly control or have a significant influence on the investee, the Company shall conduct the accounting treatment according to relevant regulations in *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, and the balance between the fair value on the date losing control and book value shall be included into the current profits and losses. During the preparation of consolidated financial statements, the accounting treatment should be carried out in accordance with the relevant provisions of *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*.

(4) Basis of determining the common control of and significant influence on the investee

Joint control refers to the shared control right over a certain arrangement in accordance with relevant agreements, and the related activities of the arrangement must be unanimously agreed upon by the participating parties who share control before making a decision. If all participants or a group of participants must act in concert to determine the relevant activities of an arrangement, it is considered that all participants or a group of participants collectively control the arrangement. When judging whether the common control exists, it needs to firstly judge whether the arrangement is controlled by all participants or participant combinations collectively, and then judge whether the decision-making related to the activities of the arrangement must be obtained with consensus of these participants who collectively control the arrangement. If there are two or more participant groups which can collectively control a certain arrangement, it does not constitute a common control. When judging whether there is joint control or not, the protective rights are not considered.

Significant influence refers to the investor's power to participate in the decision-making of the financial and operating policies of the investee, but it cannot control or jointly control the formulation of these policies with other parties. When recognizing whether it can impose significant influences on the investee, it should be considered that the influence produced after the voting shares of investee held by the Company directly or indirectly as well as the current executable potential voting rights held by Company and other parties are assumed, to convert into the equity of investee, including the current period convertible warrants, stock options and convertible company bonds issued by the investee.

When the Company directly or indirectly through subsidiary corporations holds over 20% (inclusive) but lower than 50% of voting shares of investee, it shall be generally considered that the Company can impose significant influences on it, unless clear evidence proved that the Company cannot participate in production and operation decision of the investee and not form significant influence under such situation.

The Company shall take advantage of one or several situations listed below to make sure if there is a significant influence on investee:

- ① Appoint representatives in the Board of Directors or equivalent authorities of the investee.
- ② Participate in making financial and operation policy for the investee.
- ③ Conduct important deals with the investee.
- ④ Dispatch the administrative staff to the investee.
- ⑤ Provide key technical data for investee.

The existence of one or more of the above situations does not necessarily mean that the Company has a significant influence on the investee. The Company needs to consider all facts and circumstances comprehensively to make appropriate judgments.

(5) Impairment test methods and calculation and withdrawal methods of impairment reserves

The Company checks whether there are signs of impairment in long-term equity investment on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards. Recoverable amount shall be determined according to the higher one between the net amount of fair value of long-term equity investment and the present value of estimated future cash flow.

(6) Disposal of the long-term equity investment

When the Company disposes a long-term equity investment, the difference between its book value and the actual price obtained shall be included into the current profits and losses. In case that the long-term equity investment is calculated with equity method, the same basis applied by the investee for directly handling with relevant assets and liabilities shall be used to handle the investment, and the accounting treatment shall be conducted for the part originally included in other comprehensive incomes at the corresponding proportion.

22. Investment property

Investment property measurement model

Cost method measurement

Depreciation or amortization method

The straight-line method will be adopted for the calculation and withdrawal of depreciation of leased buildings in investment property of the Company, and the specific accounting policy will be partially same as the that of fixed assets.

The Company checks whether there are signs of impairment in investment property on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards.

The difference between the disposal income from the sale, transfer, scrapping, or damage of investment property by the Company after deducting its book value and relevant taxes and fees is included in the current profits and losses. When the Company has evidence indicating that the houses and buildings for its own will be used for lease or the real estate development products held will be leased by operating lease, the fixed assets, intangible assets or inventories will be converted into investment property at the book value before conversion. Where the Company has evidence indicating that the houses and buildings originally used to earn rent or capital appreciation have been converted into self-use or that the leased houses and buildings used for operating have been reused for external sales, the investment property shall be converted into fixed assets, intangible assets or inventories at the book value before conversion.

23. Fixed assets**(1) Recognition conditions**

1. Recognition conditions and measurement of fixed assets

The Company's fixed assets refer to tangible assets held for the production of goods, provision of labor services, rental or business management, with a useful life exceeding one accounting year, and are recognized when the following conditions are met:

- ① The economic benefits related to the fixed assets are likely to flow into the Company;
- ② The cost of the fixed assets can be measured reliably.

Subsequent expenditures related to fixed assets that meet the recognition conditions are included into the cost of fixed assets, and the book value of the replaced part is derecognized; otherwise, it will be included into the current profits and losses at the time of occurrence.

The fixed assets of the Company shall be initially measured at cost. The cost of purchasing fixed assets includes the purchase price, relevant taxes and fees, and other expenditures that are incurred to make the fixed assets reach the expected serviceable condition and can be directly attributed to the assets, such as transport expense and installation expenses, etc. Nevertheless, if a purchased fixed asset is paid beyond the normal credit period, the cost of the fixed assets is determined based on the sum of the present value of each payment period. The difference between the actual payment and the present value of the acquisition price shall be accounted into current profits and losses during the credit period, unless it shall be capitalized according to the *Accounting Standards for Business Enterprises No. 17 - Borrowing Expenses*.

2. Impairment test method of fixed assets and calculation and withdrawal methods of impairment reserves

The Company checks whether there are signs of impairment in fixed assets on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards.

(2) Depreciation method

Type	Depreciation method	Depreciation period	Residual rate	Annual depreciation rate
Buildings and structures	Straight-line method	20-40	3%	2.425%-4.85%
Machinery and equipment	Straight-line method	5-8	3%	12.125%-19.40%
Electronic equipment	Straight-line method	5-10	3%	9.70%-19.40%
Transport equipment	Straight-line method	3-5	3%	19.40%-32.33%
Other equipment	Straight-line method	4-8	3%	12.125%-24.25%

(3) Identification basis, valuation and depreciation method of fixed assets under financing lease

The financing lease of fixed assets by the Company refers to a lease that substantially transfers all risks and rewards related to asset ownership. The specific recognition basis is that it meets one or more of the following conditions: ① The ownership of the lease assets is transferred to the lessee when the lease term expires; ② The lessee has the option to buy the lease assets at a price which is expected to be far lower than the fair value of the lease asset at the date when the option becomes exercisable. Therefore, on the lease commencement date, it can be reasonably determined that the option will be exercised; ③ Even if the ownership of the assets is not transferred, the lease term accounts for the most part of the useful life of the lease assets; ④ The present value of minimum lease payments on the lease commencement date of the lessee almost amounts to the fair value of lease assets on the lease commencement date; ⑤ The lease assets can only be used by the lessee for its special nature, if it is not materially changed.

The valuation method for the Company's fixed assets under financing lease: initial valuation of fixed assets under financing lease takes the lower one between the fair value of lease assets on the commencement date of lease term and the present value of the minimum lease payment as the recording value; the follow-up valuation of fixed assets under financing lease should adopt the depreciation policy being consistent with that of fixed assets for the calculation and withdrawal of depreciation and impairment reserves.

24. Construction in progress**(1) Measurement of construction in progress**

The cost of construction in progress of the Company is determined based on actual project expenditures, including all necessary project expenditures incurred during construction, borrowing expenses that should be capitalized before the project reaches its expected serviceable condition, and other related expenses.

(2) Standard and time of construction in progress transferred to fixed assets

The construction in progress of the Company shall be transferred to the fixed assets when it reaches the expected serviceable condition. The criteria of expected serviceable condition should meet one of the following circumstances:

- ① The entity building of fixed assets (including installation) has finished wholly or substantially;
- ② The assets have been in pilot production or operation, and the results show that the assets may normally operate or stably produce qualified products, or the operation and business is normal;
- ③ The amount paid on the fixed assets is very small or negligible;
- ④ The purchased or constructed fixed assets have already reached or basically agrees with the requirements of design or contract.

If the construction projects constructed by the Company have reached the expected serviceable condition but have not yet completed the final accounts, from the date of reaching the expected serviceable condition, they shall be transferred to fixed assets at their estimated value based on the project budget, cost, or actual project cost, and the depreciation of fixed assets shall be calculated and withdrawn in accordance with the Company's fixed asset depreciation policy. After final settlement of account, it shall adjust the previous estimated value based on actual cost, excluding depreciation amount calculated and withdrawn.

(3) Impairment test method of construction in progress and calculation and withdrawal method of impairment reserves

The Company checks whether there are signs of impairment in construction in progress on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards.

The recoverable amount of construction in progress shall be determined by the higher one between the net amount of the fair value of the asset minus the disposal expenses and the present value of the estimated future cash flow of the asset.

25. Borrowing expenses**(1) Recognition principle of capitalization of borrowing expenses**

The Company's borrowing expenses include borrowing interest, amortization and auxiliary expenses of depreciation or premium, exchange difference resulted from foreign currency loan, etc. Where the borrowing expenses incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, they shall be capitalized and included into the costs of relevant assets; other borrowing expenses shall be recognized as costs based on the accrual during the occurrence, and included into the current profits and losses. Assets eligible for capitalization refer to fixed assets, investment properties, inventories, and other assets that require a considerable amount of time for acquisition or construction, or production to reach the intended use condition or marketable condition.

(2) Calculation method of capitalization amount

Capitalization period: refers to the period from the capitalization beginning of borrowing expenses to the capitalization ending. The period that borrowing expenses are suspended for capitalization is not included.

If the Company's borrowing expenses meet the following conditions, the capitalization shall be started: (1) Asset expenditures have already occurred, which include cash, transferred non-cash assets or debt expenditure bearing interests paid for the acquisition and construction or production of assets eligible for capitalization; (2) The borrowing expenses have already occurred; (3) The purchase, construction and production activities which are necessary to make assets reach the intended use condition or marketable condition have already started.

Capitalization of the Company's borrowing expenses will be suspended when the assets obtained from purchase and construction or production meeting capitalization conditions reach the intended use condition or marketable condition.

Suspension period of capitalization: in the process of purchase, construction or production is interrupted abnormally, and the interruption lasts for more than 3 months, the capitalization of the Company's borrowing expenses should be suspended.

Calculation of capitalization amount for the Company: ① For special borrowings, subtract the interest income obtained from depositing the borrowings which have not been used into the bank or return on investment from the temporary investment from the actual interest expenses of special borrowings in the current period; ② For ordinary borrowings, multiply assets expenditure weighted average of assets expense exceeding the special borrowing by the capitalization rate of ordinary borrowing, with the capitalization rate of weighted average rate of ordinary borrowings; ③ Where there is any discount or premium, the amount of discounts or premiums which shall be amortized during each accounting period shall be determined by the effective interest method, and the adjustment shall be made to the amount of interests in each period.

26. Right-of-use assets

Right-of-use assets refer to the right vested in the Company as the lessee to use any lease assets during the lease period. Upon the commencement date of lease term, the Company recognizes right-of-use assets and lease liabilities for leases as the lessee, provided that short-term leases and leases of low-value assets subject to simplified treatment are excluded.

The right-of-use assets of the Company are initially measured at cost. The said cost includes:

- (1) Initial measurement amount of lease liabilities;
- (2) Amount of lease payments made on or before the commencement date of lease term; in case of any lease incentive, the related amount of such lease incentive having been enjoyed should be deducted;
- (3) Initial direct costs incurred by the Company as the lessee;
- (4) Cost expected to be incurred by the Company dismantling and removing the lease asset, recovering the place where the lease asset is or recovering the lease asset to the state set forth in the leasing clauses. The Company calculates and withdraws the depreciation of the right-of-use assets by the composite life method. If the Company can reasonably determine that it will acquire ownership of the lease assets at the end of the lease term, depreciation shall be calculated and withdrawn over the remaining useful life of the lease asset.

Whereas the ownership of the lease assets cannot be reasonably recognized at the expiration of the lease term, the Company will calculate and withdraw the depreciation of the lease assets within the lease term or the remaining useful life thereof, whichever is shorter.

The Company determines whether any right-of-use assets are impaired in accordance with the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, and has identified impairment losses subject to accounting treatment.

When the Company re-measures lease liabilities according to the standards, the book value of right-of-use assets shall be adjusted accordingly. Where the book value of right-of-use assets has been reduced to zero, but lease liabilities still need to be subject to further reduction, the remaining amount shall be included into the current profits and losses.

Where any lease change results in decreased lease scope or shortened lease term, the Company shall correspondingly reduce the book value of right-of-use assets and include gains or losses related to the partially or completely terminated lease in the current profits and losses. Where any other lease change results in remeasurement of lease liabilities, the Company shall correspondingly adjust the book value of right-of-use assets.

27. Intangible assets

(1) Valuation method, useful life, impairment test

Intangible assets refer to identifiable non monetary assets without physical form owned or controlled by the Company, which are recognized when the following conditions are met simultaneously:

1. The economic benefits related to the intangible assets are likely to flow into the Company;
2. The cost of the intangible assets can be measured reliably.

(1) Measurement of intangible assets

The intangible assets of the Company shall be initially measured at cost. The actual cost of bought-in intangible assets shall be recognized as the amount actually paid and other relevant expenses. The actual costs of intangible assets invested by investors will be determined by the value agreed in investment contracts or agreements. In case that the agreed value in such contract or agreement is not fair, the fair value will be used to determine the actual cost. The actual cost of self-developed intangible assets are total expenses incurred prior to achieving its expected use. For the intangible assets owned by the acquiree in the combination not under the same control but not recognized in the financial statements, these shall be recognized as the intangible assets pursuant to the fair value when carrying out the initial recognition of the acquiree's assets.

The subsequent measurements of intangible assets of the Company are as shown separately: ① The intangible assets with the limited useful life shall be amortized with straight-line method within useful life. It is necessary to review the useful life and amortization method of intangible assets at the end of the year. If there is different from the original estimate, the adjustments shall be conducted; ② Intangible assets with uncertain useful life shall not conduct the amortization, but the useful life shall be re-checked at the end of the year. When there is unambiguous evidence proving that the useful life is limited, the useful life shall be estimated, and straight-line method shall be used for amortization.

(2) Judgment basis for uncertain useful life

The Company is unable to predicate the assets' economic benefit period or the recognition period when the intangible assets which have the uncertain useful life are recognized to be uncertain.

Judgment basis for uncertain useful life: ① It comes from the contractual rights or other legal rights, but there is no clear useful life in the contract or laws. ② Based on the situation in the same industry or the arguments of relevant experts, it is still impossible to determine the period within which intangible assets will bring economic benefits to the Company.

The Company will recheck the useful life of the intangible assets which have the uncertain useful life from bottom to top, and then the using departments of intangible assets will make the basic recheck and evaluate whether the judgment basis of uncertain useful life has been changed.

(3) Impairment test method of intangible assets and calculation and withdrawal method of impairment reserves

The Company checks whether there are signs of impairment in intangible assets on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards.

The recoverable amount of intangible assets shall be determined by the higher one between the net amount of the fair value of the asset minus the disposal expenses and the present value of the estimated future cash flow of the asset.

(2) Accounting policy for internal R&D expenses

The expenses of the Company's internal R&D projects in the research stage shall be included into the current profits and losses during the occurrence; the expenses incurred during the development stage will only be capitalized by the Company if the following conditions are met simultaneously: ① The intangible assets should be finished so that it can be sold and have feasibility in technology; ② There is intention to finish and use or sell the intangible assets; ③ The method of intangible assets generate the economic benefits with the modes of including the product market, which is produced by the intangible assets or the market of intangible assets itself; the usefulness of the intangible assets shall be demonstrated if being used internally; ④ There are sufficient supports of technology, financial resources and other resource, to complete the development of the intangible assets, and the ability to use or sell the intangible assets; ⑤ The expenditures of the intangible assets in the development stage can be reliably measured.

Specific standards for dividing research stage and development stage of internal R&D projects: the planned investigation stage for obtaining new skills and knowledge shall be identified as research stage, and such stage is planned and exploratory; before commercial production or use, the stage of applying research results or other knowledge to a plan or design in order to produce new materials, devices, products, etc. with substantive improvement shall be identified as the development stage, and such stage is targeted and more likely to produce results, etc.

The R&D expenditures, if unable to be divided into research expenditure and development expenditure, are totally included into the current profits and losses.

28. Impairment of long-term assets

The Company conducts impairment tests on long-term equity investments, investment properties measured using cost models, fixed assets, construction in progress, intangible assets, and other long-term assets that show signs of impairment on the balance sheet date. If the impairment test result shows that the recoverable amount of assets is lower than the book value thereof, the impairment reserves shall be withdrawn in accordance with its difference and included in the impairment losses. The recoverable amount is determined by the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow thereof, whichever is higher. The asset impairment reserves shall be calculated and recognized on the basis of a single asset. If it is hard to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined in accordance with the asset group of the assets. The asset group refers to the minimum asset portfolio that is capable of independently generating cash inflow.

The Company conducts impairment test on goodwill and intangible assets with uncertain useful life formed by the business combination, regardless of whether there are signs of impairment, at least at the end of each year. Intangible assets that do not reach their availability also undergo impairment test every year.

The Company conducts the goodwill impairment test. The book value of the goodwill which formed by the business combination shall be allocated to the related asset group from the acquisition date with reasonable methods; those difficult to be amortized to relevant asset groups shall be amortized to relevant asset group portfolios. In case the book value of goodwill is amortized to relevant asset groups or asset group portfolios, amortization shall be conducted based on the proportion of the fair value of each asset group or asset group portfolio in the total amount of the fair value of relevant asset groups and asset group portfolios. If it is difficult to reliably measure fair value, amortization shall be conducted based on the proportion of book value of each asset group or asset group portfolio in the total amount of book value of relevant asset groups or asset group portfolios.

When the Company conduct the impairment tests on relevant asset groups or asset group portfolios containing goodwill, if there are impairment signs for asset groups or asset group portfolios related to goodwill, it is required to firstly conduct impairment test to asset groups or asset group portfolios not containing goodwill, calculate recoverable amount, and compared with relevant book values to recognize the corresponding impairment loss. The Company shall make an impairment test of the asset groups or asset group portfolios containing goodwill, and compare the book value of these asset groups or asset group portfolios (including the book value of the goodwill amortized) and their recoverable amount. If the recoverable amount of relevant assets groups or asset group portfolios is lower than the book value thereof, the impairment losses shall be recognized based on the difference. The amount of impairment loss is first offset against the book value of goodwill allocated to the asset group or asset group portfolio; Then lower the book value of other assets in proportion according to the ratio of the book value expect for goodwill in asset groups or asset group portfolios. Once the impairment loss of the above-mentioned assets is recognized, the Company will not reverse it in future accounting periods.

29. Long-term unamortized expenses

Long-term unamortized expenses of the Company refer to expenses which have been paid, but the benefit period is more than one year (exclusive). Long-term unamortized expenses should be amortized evenly by stages within the benefit period of expense items. If the item for long-term unamortized expenses cannot bring profits for the following accounting period, the Company transfers the amortized value of such item that has not been amortized into the current profits and losses fully.

30. Contract liabilities

Contract liabilities refer to the obligations of the Company to transfer goods or services to customers for the received or receivable consideration from customers. The Company shall present the received payment or receivables as the contract liabilities at the earlier of the time between the actual payment by the customer and the payment due if the customer has already paid the contract consideration or the Company has obtained the unconditional right to receive payment before the Company transfers the goods to the customer. The Company present the contract assets and liabilities under the same contract in net amount, and the contract assets and liabilities under different contracts are not offset.

31. Employee remuneration**(1) Accounting treatment method of short-term remuneration**

The Company's short-term compensation includes short-term wages, bonuses, allowances, subsidies, employee welfares, housing provident fund, labor union funds and employee education funds, medical insurance, work-related injury insurance, maternity insurance, short-term paid absences, short-term profit sharing plans, etc. During the accounting period when employees provide services, the Company recognizes the actual short-term compensation payable as a liability and includes it into the current profits and losses or related asset costs according to the beneficiary and the principle of accrual accounting.

(2) Accounting treatment method of post-employment benefits

The post-employment benefits mainly include basic endowment insurance and enterprise annuity, etc. It shall be classified as the defined contribution plan and defined benefit plan in accordance with risk and obligation borne by the Company.

Defined contribution plan: the Company pays the contribution fund to the individual subject for exchange of services provided by the staff during the accounting period on the balance sheet date, and if it is recognized as liabilities, it shall be included into the current profits and losses or relevant asset costs according to the benefit object.

Defined benefit plan: the Company's actuarial valuation is conducted by an independent actuary on the semiannual and annual balance sheet dates, and the cost of providing benefits is determined using the expected cumulative benefit unit method.

Employee remuneration cost incurred by defined benefit plan set by the Company includes the following parts: (1) Service costs, including current service costs, past service costs and settled gains or losses. Among them, the current service cost refers to increase in present value of defined benefit obligations incurred by providing services in current period; the past service cost refers to increase or decrease in present value of defined benefit obligations related to employee service during the previous period which is caused by modification of defined benefit plan; (2) Interest expenses of defined benefit obligations;

(3) Change incurred by re-measuring defined benefit plan liabilities. Unless other accounting standards require or allow employee welfare costs to be included into asset costs, the Company will include the above-mentioned Items (1) and (2) into current profits and losses; Item (3) shall be included into other comprehensive incomes and will not be reversed to profit or loss during the subsequent accounting period.

(3) Accounting treatment method of dismissal benefits

Dismissal benefits refer to suggestions made by the Company to terminate the employment relationship with employees before the expiration of their labor contracts, or to encourage employees to voluntarily accept layoffs and provide compensation. Where the Company cannot bilaterally withdraw the dismissal benefits provided by cancellation of labor relationship or downsizing proposal, or recognize costs or expenses (the earlier one) involved in the reorganization of dismissal benefit payment, the employee remuneration liability arising out of the dismissal benefit recognition is included into the current profits and losses.

32. Lease liabilities

Upon the commencement date of lease term, the Company recognizes right-of-use assets and lease liabilities for leases as the lessee, provided that short-term leases and leases of low-value assets subject to simplified treatment are excluded. The Company's lease liabilities shall be initially measured at the present value of the outstanding lease payments on the commencement date of lease term.

When calculating the present value of the lease payment, the Company shall adopt the interest rate implicit in the lease as the discount rate; where the interest rate implicit in the lease cannot be determined, the incremental borrowing interest rate of the Company (i.e., the lessee) shall be used as the discount rate.

The interest rate implicit in the lease refers to an interest rate at which the sum of the present value of the lessor's lease receipts and the present value of the unsecured residual value equals the sum of the fair value of the lease asset and the lessor's initial direct costs. The incremental borrowing interest rate of the lessee refers to an interest rate payable by the Company as a lessee in a similar economic environment in order to acquire assets with a value similar to that of the right-of-use assets and to borrow funds under similar mortgage conditions during a similar period.

The Company calculates the interest expense of the lease liabilities in each period of the lease terms at a fixed cyclical interest rate and includes it into the current profits and losses or the related asset costs.

If there is a change in the evaluation results of the Company's renewal option, termination option, or purchase option after the commencement date of lease term, the lease payment shall be re-determined, and the lease liabilities shall be re-measured at the present value calculated based on the changed lease payment and the revised discount rate:

If there is a change in the expected payable amount based on the residual value of the guarantee after the commencement date of lease term, or there is a change in the future lease payment due to changes in the index or ratio used to determine the lease payment, the Company will re-measure the lease liabilities based on the present value of the changed lease payment. In these cases, the discount rate adopted by the Company remains unchanged; However, if the change of lease payment is due to the change of floating interest rate, the revised discount rate shall be used to calculate the present value.

33. Estimated liabilities**(1) Recognition standards of estimated liabilities**

When obligation related to the contingencies is the current obligation of the Company, the performance of such obligation may cause the damage to economic benefits, and if its amount can be reliably measured, the obligation should be recognized as estimated liabilities.

(2) Measurement method of estimated liabilities

The Estimated Liabilities of the Company are initially measured based on the best estimate of the expenses required to fulfill the relevant current obligations. If there is a continuous range of expenses and the likelihood of various outcomes occurring within that range is the same, the best estimate is determined based on the median value within that range; in case of involving multiple items, the best estimate should be calculated and determined according to various possible results and relevant probability.

The Company rechecks the book value of estimated liabilities on the balance sheet date. If there are unambiguous evidences proving the book value cannot actually reflect the best estimate, the book value shall be adjusted according to the best estimate.

The compensation amount shall be recognized separately as assets when recognizing it may be recovered if all or part of the expenditures necessary for paying off estimated liabilities is compensated by the third party, and the recognized compensation amount shall not exceed the book value of estimated liabilities.

34. Share-based payment

The Company's share-based payment refers to a transaction in which the Company grants the equity instruments or undertakes the equity-instrument-based liabilities in return for services from employee or other parties. The Company's share-based payments is an equity-settled share-based payment.

Equity-settled share-based payment used in exchange for services provided by employees are measured by the fair value of equity instruments granted to employees on the grant date. On each balance sheet date during the waiting period, the Company, based on the latest information, including the change of feasible employees' number and whether it meets the specified performance conditions, makes the best estimates on vesting the number of equity instruments. On this basis, in accordance with the fair value of the grant date, the services obtained in the current period will be included into the relevant costs or expenses, correspondingly to increase capital reserves. The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owners' equities which have been recognized. If the instrument is exercisable after conferring, it will be included in the costs or expenses based on the fair value on conferring date and the capital reserves will be increased.

When the Company modifies the share-based payment plan, if the modification increases the fair value of equity instrument granted, the increase of service shall be recognized according to the increase of fair value of equity instrument accordingly; if the number of equity instrument granted is modified to increase, the Company shall recognize the fair value of equity instrument increased as the increase of service obtained. The increase of the fair value of equity instruments refers to the difference between the fair value of the equity instruments before and after the modification on the date of modification. If the revision of vesting conditions is done in favor of employees, such as waiting period cut-down, modification or cancel of performance conditions (non-market conditions), the Company shall take modified vesting conditions into consideration to deal with vesting conditions. If the modification decreases the total amount of share-based payment fair value or adopts other ways which are adverse to the employees to modify terms and conditions of share-based payment plan, unless the Company cancels the part or all of the granted equity instruments, it shall conduct the further accounting treatment of the services acquired, and it shall be deemed that such change never happens.

During the waiting period, if the granted equity instrument is cancelled, the Company will cancel the granted equity instrument as an accelerated exercise, and the amount to be recognized in the remaining waiting period will be immediately included into the current profits and losses, and the capital reserves shall be recognized at the same time. If the employee or other party can choose to meet the non-vesting conditions but fails to meet in the waiting period, the Company will treat it as a cancellation of the equity instrument.

35. Preferred stock, perpetual bonds, and other financial instruments

The Company, on the basis of the classification of the issued financial instruments, recognizes the instrument interest expenditure or dividend distribution and other accounting treatment. Preferred shares and perpetual bonds classified as debt instruments are initially measured according to their fair value after deducting transaction expenses, and subsequently measured by the effective interest method according to the amortized cost. Their interest expenditure or dividend distribution is processed according to borrowing expenses, and the profits or losses resulting from their repurchase or redemption are included into the current profits and losses.

Other financial instruments such as preferred share and perpetual bonds issued by the Company are classified as equity instruments if they do not include contractual obligations to deliver cash or other financial assets to other parties or exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Preferred shares and perpetual bonds classified as equity instruments increase the Company's owners' equities after deducting transaction expenses from the consideration received at the time of issuance. Their interest expenditure or dividend distribution is handled according to the distribution of profits, and repurchase or cancellation is handled as changes in equity.

36. Revenue

Accounting policies adopted for revenue recognition and measurement

(1) General principles of revenue recognition

Where the contract between the Company and its customer can meet the following conditions at the same time, the revenue shall be recognized when the customer owns the relevant control right of the goods: each party of the contract has agreed with the contract and promised that they will assume their obligations; the contract has specified rights and obligations of each concerned party related to goods transfer or labor provision; the contract has specified the payment terms related to goods transfer; the contract is of the commercial essence, which means that performance of the contract will change the risk, time distribution or amount of future cash flow of the Company; the Company may recover the consideration for which the Company is entitled to obtain for transferred goods to customers.

On the contract beginning date, the Company identifies the individual performance obligation specified in the contract and amortizes the transaction price to each individual performance obligation based on the relative proportion of the individual sales price of the goods guaranteed in individual performance obligation. When determining the transaction price, the Company has taken into account factors such as variable consideration, significant financing components in the contract, non cash consideration, and consideration payable to customers.

As for each individual performance obligation in the contract, if one of the following conditions are met, the Company recognizes the transaction price which is amortized into the individual performance obligation based on the performance progress within a relevant performance period as the revenue: the customer obtains and consumes the economic benefits while the Company fulfills the performance obligation; the customer controls the goods in process while the Company fulfills the performance obligation; the goods produced during the performance have irreplaceable purposes and the Company is entitled to charge money for the performance accumulated and has been finished until the current time within the whole contract period. The performance progress shall be recognized based on the property of the goods transferred by virtue of the input method or the output method. When the performance progress cannot be recognized reasonably, if it is predicted that the incurred cost of the Company can be compensated, the revenue shall be recognized based on the incurred cost amount until the performance progress can be recognized reasonably.

If one of the above conditions cannot be met, the Company recognizes the transaction price amortized to the individual performance obligation at the time when the customer obtains the control right of relevant goods as the revenue. When judging whether the customer has obtained the control right of the goods, the Company can consider the following signs: the Company has the current collection right of the goods, namely the customer is responsible for current payment obligation of the goods; the Company has transferred legal ownership of the goods to the customer, i.e., the customer has obtained legal ownership of the goods; the Company has transferred the physical goods to the customer, i.e., the customer has taken physical possession of the goods; The Company has transferred main risks and rewards concerning the ownership of the goods to the customer, namely the customer has obtained the main risks and rewards concerning the ownership of the goods; the customer has accepted the goods; other signs indicating that the customer has obtained the control right of the goods.

(2) Specific method of revenue recognition

1) Revenue from sales of goods

The sales of goods between the Company and customers usually refer to the sales of servers and components, IT terminals, and bulk items, which belong to the "performance obligation at a certain point in time".

A. Domestic sales revenue: the Company shall transport the goods to the agreed location in accordance with the contract, and the customer has signed for the goods, and the control right of the goods has been transferred to the customer.

B. Export sales revenue: the Company has declared and exported the products in accordance with the contract, obtained the customs declaration and bill of lading (waybill), received the payment for the goods or obtained payment vouchers, and the control right of the goods has been transferred to the customer.

2) Revenue from provision of services

The services provided between the Company and customers usually refer to maintenance and operation services, usually customized services. Due to the fact that at the same time as the Company fulfills its obligations, the customers acquire and consume the economic benefits brought by the Company's performance. Therefore, the Company regards it as a "performance obligation within a certain period", recognizes revenue based on the progress of performance, and determines the progress of service provision based on the output method.

Differences in revenue recognition accounting policies due to the adoption of different business models in similar businesses

37. Government subsidies

(1) Types of government subsidies

Government subsidy refers to monetary assets or on-monetary assets freely gained by the Company from the government (including but not limited to capital invested by the government as owner) which are mainly divided into asset-related government subsidies and income-related government subsidies. Monetary government subsidies shall be measured based on received or receivable amount. Non-monetary government subsidies shall be measured at fair value; when the fair value cannot be reliably acquired, it shall be measured in accordance with nominal amount. The government subsidies measured by the nominal amount shall be directly included into the current profits and losses.

(2) Accounting treatment method of asset-related government subsidies

Asset-related government subsidies refer to the government subsidies that are obtained by the Company used for purchase and construction, or forming the long-term assets by other ways. The Company's asset-related government subsidies are offset against the book value of related assets or recognized as deferred income. If recognized as deferred income, they are included into the current profits and losses in a reasonable and systematic manner over the useful life of the relevant assets (those related to our daily activities are included into other incomes; those unrelated to our daily activities are included into non-operating income);

(3) Accounting treatment method of income-related government subsidies

Income-related government subsidies refer to the government subsidies obtained by the Company excluding asset-related government subsidies. The Company recognizes income-related government subsidies as deferred income, which are used to compensate for related costs, expenses or losses in future periods. During the period of recognizing related costs, expenses or losses, they are included into the current profits and losses (those related to our daily activities are included into other incomes; those unrelated to our daily activities are included into non-operating income) or offset against related costs, expenses or losses; government subsidies that are used to compensate relevant costs, expenses or losses generated by the Company shall be directly included into the current profits and losses (those related to our daily activities are included into other incomes; those unrelated to our daily activities are included into non-operating income) or offset relevant costs, expenses or losses.

The loan interest subsidy policy preference acquired by the Company is divided into the following two cases, which are accounted respectively:

- ① If the Ministry of Finance allocates the interest subsidy capital to loan banks which provide the loan to the Company with the policy preferential interest rate, the actually collected loan amount is taken as the entry value of the loan, and relevant borrowing expenses shall be calculated based on loan principal and the policy preferential interest rate.
- ② If the Ministry of Finance allocates the interest subsidy capital to the Company, it should write down related borrowing expenses with corresponding interest subsidy.

(4) Criteria for distinguishing between asset-related government subsidies and income-related government subsidies

- ① If the particular project of the grants is clear in the government document, make a division according to the relative proportion of expense amount of the formed assets in the budget of the particular project and the expense amount included in the cost, shall review the division ratio required at each balance sheet date and make changes if necessary;
- ② As the income-related government subsidies, the main purpose is only described generally in the government documents without the specific project.

(5) Recognition time point of government subsidies

The government subsidies calculated in accordance with the amount receivable shall be recognized if there is concrete evidence that it can meet the related conditions specified in the financial support policies at the end of the period and is expected to be able to receive financial support.

Other government subsidies except for the government subsidies measured based on amount receivable should be recognized by the Company when such subsidies are received.

38. Deferred income tax assets/deferred income tax liabilities

The Company's deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the differences (temporary differences) arising between the tax bases of assets and liabilities and their book value.

- (1) For deductible temporary differences recognition of the Company's deferred income tax assets, the taxable income of deductible temporary differences that is likely to be achieved in future is regarded as the limit. For deductible losses and tax deductions that can be carried forward for subsequent years, the corresponding deferred income tax assets shall be recognized to the extent of the future taxable income likely to be obtained for deducting the deductible losses and tax deduction. For taxable temporary differences, except in special circumstances, the deferred income tax liabilities are recognized.

(2) The Company's deferred income tax assets shall be recognized to the limit of acquiring any taxable income that may be used for offsetting the deductible temporary difference. On the balance sheet date, if there is convincing evidence that sufficient taxable income will be available in future periods to deduct deductible temporary differences, deferred income tax assets that were not recognized in prior accounting periods are recognized. If it may not obtain sufficient taxable income for deducting the deferred income tax assets, the book value of the deferred income tax assets should be written down.

(3) The Company's taxable temporary difference related to the investment of subsidiaries and associated enterprises shall be recognized as deferred income tax liabilities, unless the Company may control the transferring time of temporary differences and the temporary differences may not be transferred back in the foreseeable future. For the Company's deductible temporary differences related to subsidiaries and associated enterprises, only when it's possible that the temporary difference should be returned in the predictable future and obtain the taxable income for deducting the deductible temporary difference in the future, the differences can be recognized as the deferred income tax assets.

(4) For the Company's temporary differences at the initial recognition of goodwill, the corresponding deferred income tax liabilities will not be recognized. For temporary differences resulting from the initial recognition of assets or liabilities incurred during the transaction of non-business combination not affecting both accounting profit and taxable income (or deductible loss), the corresponding deferred income tax assets and liabilities shall not be recognized. On the balance sheet date, the Company's deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the expected period of asset recovery or liability settlement.

(5) When the following conditions are met simultaneously, the deferred income tax assets and the deferred income tax liabilities shall be presented with the net amount after offsetting:

A. Deferred income tax assets and deferred income tax liabilities are related to income tax levied from the same taxpaying body in the Company by the same tax collection and management department;

B. Taxpaying bodies within the Company have the legal right to settle the current income tax assets and liabilities with net assets;

39. Lease

(1) Accounting treatment method of operating lease

1. The Company, as the lessee, will recognize the lease term as a short-term lease with a lease term not exceeding 12 months and without the purchase options on the commencement date of lease term; leases with a lower value when a single lease asset is a brand-new asset are considered low-value asset leases. If the Company sublets or expects to sublet the lease assets, the original lease is not recognized as the low-value asset leases. For all short-term leases and low-value asset leases, the Company shall include the lease payments into the relevant asset costs or current profits and losses using the straight-line method during each period of the lease term. Except for the above-mentioned short-term leases and low-value asset leases that adopt simplified treatment, the Company recognizes the right-of-use assets and lease liabilities for the leases on the commencement date of lease term.

(1) Right-of-use assets: the right-of-use assets are initially measured at cost. The cost includes: 1) Initial measurement amount of lease liabilities; 2) Amount of lease payments made on or before the commencement date of lease term; in case of any lease incentive, the related amount of such lease incentive having been enjoyed should be deducted; 3) Initial direct costs incurred to the lessee; 4) Cost expected to be incurred by the lessee dismantling and removing the lease asset, recovering the place where the lease asset is or recovering the lease asset to the state set forth in the leasing clauses. The Company calculates and withdraws depreciation the right-of-use assets using the straight-line method. If the Company can reasonably determine that it will acquire ownership of the lease assets at the end of the lease term, depreciation shall be calculated and withdrawn over the remaining useful life of the lease asset. Whereas the ownership of the lease assets cannot be reasonably recognized at the expiration of the lease term, the Company will calculate and withdraw the depreciation of the lease assets within the lease term or the remaining useful life thereof, whichever is shorter.

(2) Lease liabilities: on the lease commencement date of lease term, the Company recognizes the present value of lease payment not yet paid as a lease liability. In calculating the present value of lease payment, the interest rate implicit in the lease should be adopted as the discount rate, and the Company's incremental borrowing rate should be used as the discount rate in case that interest rate implicit in lease cannot be determined. The difference between the lease payment and its present value is regarded as an unrecognized financing expense, of which the interest expense is recognized in each period of the lease term according to the discount rate of the recognized present value of the lease payment, and is included into the current profits and losses. Variable lease payment not included in the measurement of lease liabilities is included into the current profits and losses when they actually occur. After the commencement date of lease term, when there are changes in the substantial fixed payments, estimated payments related to residual value guarantees, indexes or ratios used to determine lease payments, purchase options, renewal options or termination options, the Company re-measures the lease liabilities based on the present value of the revised lease payments, and adjusts the book value of the right-of-use assets accordingly. If the book value of the right-of-use assets have been reduced to zero but there is still a need to further reduce the lease liabilities, the remaining amount is included into the current profits and losses.

2. The Company, as the lessor, essentially transfers almost all leases of risks and rewards related to the ownership of the lease assets into financing lease, and all the others are operating lease on the lease commencement date. During each period of the lease term, the Company recognizes the lease receipts as rental incomes on a straight-line basis, and the initial direct expenses incurred are capitalized and apportioned on the same basis as rental income recognition, and included into the current profits and losses in installments. The Company's variable lease payments related to operating leases that are not included in the lease receipts should be recognized in current profits and losses when they actually occur.

(2) Accounting treatment method of financing lease

On the commencement date of lease term, the Company recognizes the receivable financing lease payments based on the net lease investment (the sum of the present value of the unguaranteed residual value and the lease receipts not yet received on the commencement date of lease term discounted at the implicit interest rate of the lease) and derecognizes financing lease assets. During each period of the lease term, the Company calculates and recognizes interest incomes based on the implicit interest rate of the lease. The variable lease payments obtained by the Company that are not included in the net lease investment measurement are included into the current profits and losses when actually incurred.

40. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable Not applicable

Contents and reasons for changes in accounting policies	Approval procedure	Remarks
On December 7, 2018, the Ministry of Finance issued the revised <i>Accounting Standards for Business Enterprises No. 21-Lease</i> (CK [2018] No. 35).	The Company held the 10 th meeting of the 8 th Board of Directors on April 23, 2021 and approved it.	The Company will implement the new lease standards starting from January 1, 2021. According to the relevant requirements of the new lease standards, the Company will not make retrospective adjustments to the comparative statements of the same period last year. The changes in accounting policies will not have an impact on the Company's financial condition and operating results in previous years.

(2) Changes in significant accounting estimates

Applicable Not applicable

(3) Adjustment on relevant items in the financial statements at the beginning of the year after the first implementation of the new lease standards in 2021

Applicable Not applicable

Whether it is necessary to adjust the balance sheet account at the beginning of the year

Yes No

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Consolidated balance sheet

Unit: RMB

Item	December 31, 2020	January 1, 2021	Adjusted
Current assets:			
Monetary capital	10,133,660,776.10	10,133,660,776.10	
Settlement reserves			
Lending funds			
Trading financial assets	3,707,848,082.20	3,707,848,082.20	
Derivative financial assets			
Notes receivable			
Accounts receivable	8,207,351,931.65	8,207,351,931.65	
Receivables financing	1,312,528,535.28	1,312,528,535.28	
Advance payment	81,005,265.01	80,082,618.92	-922,646.09
Premium receivable			
Reinsurance accounts receivable			
Reserves for reinsurance contract receivable			
Other receivables	75,950,171.78	75,950,171.78	
Including: Interest receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventory	10,943,256,465.72	10,943,256,465.72	
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	1,319,583,822.23	1,319,583,822.23	
Total current assets	35,781,185,049.97	35,780,262,403.88	-922,646.09
Non-current assets:			
Loan granted and advances			
Creditor's right investment			
Other creditor's right investments			
Long-term receivables			
Long-term equity investment	308,200,076.31	308,200,076.31	
Other equity instrument investments			
Other non-current financial assets			
Investment property	95,916,862.83	95,916,862.83	
Fixed assets	1,063,826,938.88	1,063,826,938.88	
Construction in progress	17,686,703.29	17,686,703.29	
Productive biological assets			
Oil-gas assets			
Right-of-use assets		58,144,053.99	58,144,053.99
Intangible assets	529,742,751.22	529,742,751.22	
Development expenditure			
Goodwill	643,015.39	643,015.39	
Long-term unamortized expenses	114,280,282.83	114,280,282.83	
Deferred income tax assets	321,120,187.31	321,120,187.31	
Other non-current assets	90,263,782.47	90,263,782.47	
Total non-current assets	2,541,680,600.53	2,599,824,654.52	58,144,053.99
Total assets	38,322,865,650.50	38,380,087,058.40	57,221,407.90

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Current liabilities:			
Short-term borrowings	2,691,316,995.77	2,691,316,995.77	
Borrowings from the central bank			
Borrowing funds			
Trading financial liabilities	3,555,903.85	3,555,903.85	
Derivative financial liabilities			
Notes payable	3,107,565,846.64	3,107,565,846.64	
Accounts payable	10,011,825,639.12	10,011,825,639.12	
Advance receipt			
Contract liabilities	4,085,509,573.95	4,085,509,573.95	
Financial assets sold for repurchase			
Deposits from customers and interbank			
Acting trading securities			
Acting underwriting securities			
Payroll payable	410,495,457.76	410,495,457.76	
Taxes payable	423,724,518.48	423,724,518.48	
Other payables	127,682,594.70	127,682,594.70	
Including: Interest payable			
Dividends payable			
Fees and commissions payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	203,993,643.85	203,993,643.85	
Other current liabilities	1,537,274,454.44	1,537,274,454.44	
Total current liabilities	22,602,944,628.56	22,602,944,628.56	
Non-current liabilities:			
Reserves for insurance contract			
Long-term borrowings	610,290,445.49	610,290,445.49	
Bonds payables			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		57,221,407.90	57,221,407.90
Long-term payables	735,000.00	735,000.00	
Long-term payroll payable			
Estimated liabilities	183,471,971.09	183,471,971.09	
Deferred incomes	82,007,055.56	82,007,055.56	
Deferred income tax liabilities	15,766,208.09	15,766,208.09	
Other non-current liabilities			
Total non-current liabilities	892,270,680.23	949,492,088.13	57,221,407.90
Total liabilities	23,495,215,308.79	23,552,436,716.69	57,221,407.90

Owners' equities:			
Share capital	1,453,721,310.00	1,453,721,310.00	
Other equity instruments	1,996,516,981.13	1,996,516,981.13	
Including: Preferred shares			
Perpetual bonds	1,996,516,981.13	1,996,516,981.13	
Capital reserves	6,538,107,510.94	6,538,107,510.94	
Minus: Treasury shares			
Other comprehensive incomes	-7,246,101.03	-7,246,101.03	
Special reserves			
Surplus reserves	407,773,846.74	407,773,846.74	
General risk reserves			
Undistributed profits	4,058,458,395.22	4,058,458,395.22	
Total owners' equities attributable to the parent company	14,447,331,943.00	14,447,331,943.00	
Minority equity	380,318,398.71	380,318,398.71	
Total owners' equities	14,827,650,341.71	14,827,650,341.71	
Total liabilities and owners' equities	38,322,865,650.50	38,322,865,650.50	

Statement of adjustment

The Company will implement the new lease standards starting from January 1, 2021. As the lessee, the right to use the lease assets during the lease term will be presented as the right-of-use assets, and lease liabilities will be recognized. The weighted average of the lessee's incremental borrowing interest rate used for lease liabilities recorded in the balance sheet on the first implementation date is 3.35%.

Balance sheet of parent company

Unit: RMB

Item	December 31, 2020	January 1, 2021	Adjusted
Current assets:			
Monetary capital	7,217,820,609.40	7,217,820,609.40	
Trading financial assets	3,707,848,082.20	3,707,848,082.20	
Derivative financial assets			
Notes receivable			
Accounts receivable	7,791,398,182.69	7,791,398,182.69	
Receivables financing	1,004,176,905.71	1,004,176,905.71	
Advance payment	519,529,794.07	519,529,794.07	
Other receivables	532,782,311.09	532,782,311.09	
Including: Interest receivable			
Dividends receivable			
Inventory	9,170,700,987.71	9,170,700,987.71	
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	887,245,925.76	887,245,925.76	
Total current assets	30,831,502,798.63	30,831,502,798.63	
Non-current assets:			
Creditor's right investment			
Other creditor's right investments			
Long-term receivables			
Long-term equity investment	2,664,455,926.69	2,664,455,926.69	
Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets	511,502,874.10	511,502,874.10	
Construction in progress			
Productive biological assets			
Oil-gas assets			
Right-of-use assets			
Intangible assets	346,331,510.89	346,331,510.89	
Development expenditure			
Goodwill			
Long-term unamortized expenses	26,215,521.68	26,215,521.68	
Deferred income tax assets	171,953,586.18	171,953,586.18	
Other non-current assets	58,478,593.86	58,478,593.86	
Total non-current assets	3,778,938,013.40	3,778,938,013.40	
Total assets	34,610,440,812.03	34,610,440,812.03	
Current liabilities:			
Short-term borrowings	2,691,316,995.77	2,691,316,995.77	

Trading financial liabilities			
Derivative financial liabilities			
Notes payable	3,257,565,846.64	3,257,565,846.64	
Accounts payable	7,504,408,198.16	7,504,408,198.16	
Advance receipt			
Contract liabilities	3,497,349,629.51	3,497,349,629.51	
Payroll payable	185,418,265.42	185,418,265.42	
Taxes payable	240,129,416.64	240,129,416.64	
Other payables	1,555,772,551.01	1,555,772,551.01	
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	203,993,643.85	203,993,643.85	
Other current liabilities	1,462,946,529.82	1,462,946,529.82	
Total current liabilities	20,598,901,076.82	20,598,901,076.82	
Non-current liabilities:			
Long-term borrowings	500,152,083.33	500,152,083.33	
Bonds payables			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	735,000.00	735,000.00	
Long-term payroll payable			
Estimated liabilities	183,471,971.09	183,471,971.09	
Deferred incomes	17,986,222.22	17,986,222.22	
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	702,345,276.64	702,345,276.64	
Total liabilities	21,301,246,353.46	21,301,246,353.46	
Owners' equities:			
Share capital	1,453,721,310.00	1,453,721,310.00	
Other equity instruments	1,996,516,981.13	1,996,516,981.13	
Including: Preferred shares			
Perpetual bonds	1,996,516,981.13	1,996,516,981.13	
Capital reserves	6,800,986,187.83	6,800,986,187.83	
Minus: Treasury shares			
Other comprehensive incomes	18,903,347.63	18,903,347.63	
Special reserves			
Surplus reserves	404,485,256.06	404,485,256.06	
Undistributed profits	2,634,581,375.92	2,634,581,375.92	
Total owners' equities	13,309,194,458.57	13,309,194,458.57	
Total liabilities and owners' equities	34,610,440,812.03	34,610,440,812.03	

Statement of adjustment

The implementation of the new lease standards has no impact on the financial statements of the parent company at the beginning of the year.

(4) Retroactive adjustment on the comparative data of the previous period after the first implementation of the new lease standards in 2021

Applicable Not applicable

VI. Taxes

1. Main tax category and tax rate

Tax category	Taxation basis	Tax rate
VAT	Taxable income	13%, 9%, 6%
Urban maintenance and construction taxes	Turnover tax amount payable	7%, 5%
Corporate income tax	Taxable income	25%, 15%, 16.5%, etc.
Education surcharges	Turnover tax amount payable	3%
Local education surcharges	Turnover tax amount payable	2%

The situation should be disclosed if there are different corporate income tax rates in taxpaying bodies.

Names of taxpaying bodies	Income tax rate
Inspur Electronic Information Industry Co., Ltd.	15%
Inspur (Beijing) Electronic Information Industry Co., Ltd.	15%
Guangdong Inspur Intelligent Computing Technology Co., Ltd.	15%
Inspur Power Commercial Systems Co., Ltd.	15%
Zhengzhou Yunhai Information Technology Co., Ltd.	12.5%
Guizhou Inspur Yingxin Technology Co., Ltd.	15%
Yunnan Inspur Computer Technology Co., Ltd.	15%
Inspur (Chengdu) Computer Technology Co., Ltd.	15%
Suzhou Inspur Intelligent Technology Co., Ltd.	15%
Shandong Yingxin Computer Technology Co., Ltd.	15%
Inspur (Nanning) Computer Technology Co., Ltd.	9%
Jinan Inspur Yunhai Computer Technology Co., Ltd.	2.5%
Inspur (Qingdao) Electronic Information Industry Co., Ltd.	2.5%
Shaanxi Inspur Yingxin Technology Co., Ltd.	2.5%
Shanxi Inspur Electronic Information Industry Co., Ltd.	2.5%
Anhui Inspur Electronic Information Industry Co., Ltd.	2.5%
Inspur (Tianjin) Electronic Information Technology Co., Ltd.	2.5%
Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd.	2.5%
Inspur (Beijing) Computer Technology Co., Ltd.	2.5%
Beijing Inspur Anda Technology Investment Co., Ltd.	2.5%
InspurSystems, Inc.	29.84% (federal income tax 21% and California income tax 8.84%)
InspurAssetHoldings3Inc	29.84% (federal income tax 21% and California income tax 8.84%)
InspurHungaryKFT	9%
Inspur Electronic Information (Hong Kong) Co., Ltd.	16.5%
Inspur (Hong Kong) Electronics Co., Ltd.	16.5%
Inspur Information (Hong Kong) International Co., Ltd.	0%
Dongsheng Technology Information Co., Ltd.	0%
ElectronicChannelLimited	0%
ElectronicSupplyChainLimited	0%

2. Tax incentives

(1) Preferential tax policy for corporate income tax

The Company passed the qualification re examination for high-tech enterprises in 2020, with the high-tech enterprise certificate number of GR202037001756 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Inspur (Beijing) Electronic Information Industry Co., Ltd., passed the qualification review for high-tech enterprises in 2020, with the high-tech enterprise certificate number of GR202011004548 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Guangdong Inspur Intelligent Computing Technology Co., Ltd., passed the qualification review for high-tech enterprises in 2021, with the high-tech enterprise certificate number of GR202144012298 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Suzhou Inspur Intelligent Technology Co., Ltd., passed the qualification certification for high-tech enterprises in 2021, with the high-tech enterprise certificate number of GR202132003077 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Shandong Yingxin Computer Technology Co., Ltd., passed the qualification certification for high-tech enterprises in 2021, with the high-tech enterprise certificate number of GR202137004939 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Inspur Power Commercial Systems Co., Ltd., received a high-tech enterprise certificate with the number GR202037003410 in 2020, which is recognized as valid for three years and is subject to a reduced corporate income tax rate of 15%.

Our subsidiary, Zhengzhou Yunhai Information Technology Co., Ltd., obtained the *Software Enterprise Certification Certificate* (certificate No.: YRQ-2019-0399) issued by the Henan Software Service Industry Association on August 14, 2019. According to the *Announcement of the Ministry of Finance and the State Administration of Taxation on the Corporate Income Tax Policy for Integrated Circuit Design and Software Industry* (Announcement No. 68 of the Ministry of Finance and the State Administration of Taxation in 2019), integrated circuit design enterprises and software enterprises established according to law and meeting the requirements shall calculate the preferential period from the profit-making year before December 31, 2018. The corporate income tax shall be exempted from the first year to the second year, and the corporate income tax shall be halved at the statutory tax rate of 25% from the third year to the fifth year, and shall be enjoyed until the expiration. The corporate income tax shall be paid based on the tax rate of 12.5% this year.

Our subsidiaries, Guizhou Inspur Yingxin Technology Co., Ltd., Yunnan Inspur Computer Technology Co., Ltd., Inspur (Chengdu) Computer Technology Co., Ltd., and Inspur (Nanning) Computer Technology Co., Ltd., are entitled to the national tax preferential policy for large-scale development of Western China in accordance with the *Notice of the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation on Tax Policies Related to the Implementation of the Strategy for Large-scale Development of Western China* (CS (2011) No. 58), and are subject to a reduced tax rate of 15% for corporate income tax payment.

Our subsidiary, Inspur (Nanning) Computer Technology Co., Ltd., complies with the provision of Article 6 "Implementation of Tax Incentives for Industrial Development, and Article 3" of the *Several Policy Provisions of the People's Government of Guangxi Zhuang Autonomous Region on Promoting the Open Development of Guangxi Beibu Gulf Economic Zone* (GZF [2014] No. 5), that is, "newly established industrial enterprises that comply with the provisions of Article 3 of this policy and are encouraged by the state, whose main operating income accounts for more than 50% of the total revenues, shall be exempt from local shared corporate income tax in the first to fifth years from the tax year in which the first production and operation income is obtained by the project. The corporate income tax shall be reduced by half in the sixth to seventh years". Therefore, Inspur (Nanning) Computer Technology Co., Ltd. paid corporate income tax at a reduced rate of 9% this year.

For our subsidiaries, Jinan Inspur Yunhai Computer Technology Co., Ltd., Inspur (Qingdao) Electronic Information Industry Co., Ltd., Shaanxi Inspur Yingxin Technology Co., Ltd., Shanxi Inspur Electronic Information Industry Co., Ltd., Anhui Inspur Electronic Information Industry Co., Ltd., Inspur (Tianjin) Electronic Information Technology Co., Ltd., Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd., Inspur (Beijing) Computer Technology Co., Ltd., Beijing Inspur Anda Technology Investment Co., Ltd., the *Notice on Implementing the Inclusive Tax Reduction and Exemption Policy for Small and Micro Enterprises* (CS (2019) No. 13) issued on January 17, 2019 stipulates that "for the portion of the annual taxable income of small low-profit enterprises that does not exceed RMB 1 million, a reduction of 25% shall be included in the taxable income, and the corporate income tax shall be paid at a rate of 20%" and "the implementation period of this Notice is from January 1, 2019 to December 31, 2021". In addition, the *Announcement on the Implementation of Preferential Policies for Income Tax for Small and Micro Enterprises and Individual Businesses* (Announcement No. 12 of 2021 of the Ministry of Finance and the State Administration of Taxation) issued on April 2, 2021 stipulates that from January 1, 2021 to December 31, 2022, for small low-profit enterprises whose annual taxable income does not exceed RMB 1 million, a reduction of 12.5% shall be included in the taxable income, and the corporate income tax shall be paid at a rate of 20%.

(2) VAT preferential policies

According to the *Notice of the State Council on Issuing Several Policies to Further Encourage the Development of the Software and Integrated Circuit Industries*, issued by the State Council on January 28, 2011, the preferential policy for software value-added tax will be implemented constantly. For general VAT taxpayers who sell their self-developed and produced software products, the policy of immediate collection and refund will be implemented for the portion of their actual VAT burden exceeding 3%. This year, the Company received a total of RMB 105,138,040.92 in VAT refunds for software products.

VII. Notes to Consolidated Financial Statement Items**1. Monetary capital**

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	7,441.49	41,043.63
Bank deposit	7,258,412,019.84	9,651,156,435.24
Other monetary capitals	18,859,879.58	482,463,297.23
Total	7,277,279,340.91	10,133,660,776.10
Including: Total amount of payments deposited overseas	404,737,608.05	868,231,352.24
Total amount of funds restricted to use because of mortgage, pledge or freezing	18,859,309.20	181,604,633.05

Other descriptions

Other monetary capitals are presented in detail as follows:

Item	Ending balance	Beginning balance
Deposit of bank acceptance bills		100,000,000.00
Foreign exchange settlement deposit	505,086.30	503,552.92
L/G deposit	18,354,222.90	81,101,080.13
Refundable deposits	570.38	300,858,664.18
Total	18,859,879.58	482,463,297.23

2. Trading financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets measured at the fair value with the changes included into the current profits and losses	400,068,219.18	3,707,848,082.20
Including:		
Including: Bank financial products	400,068,219.18	3,707,848,082.20
Including:		
Total	400,068,219.18	3,707,848,082.20

Other descriptions:

3. Accounts receivable**Classification disclosure of accounts receivable**

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Accounts receivable for which bad-debt reserves are recognized on an individual basis	265,745,722.27	2.06%	265,745,722.27	100.00%	0.00	271,717,927.27	3.02%	271,717,927.27	100.00%	
Including:										
Accounts receivable with significant single amount and separately withdrawn bad-debt reserves	265,484,222.27	2.05%	265,484,222.27	100.00%	0.00	271,717,927.27	3.02%	271,717,927.27	100.00%	
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	261,500.00	0.01%	261,500.00	100.00%	0.00					
Accounts receivable for which bad-debt reserves are recognized on a combination basis	12,653,450,249.28	97.94%	683,678,451.80	5.40%	11,969,771,797.48	8,718,013,910.18	96.98%	510,661,978.53	5.86%	8,207,351,931.65
Including:										
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	12,653.4	97.94%	683,678.	5.40%	11,969.77	8,718,013	96.98%	510,661.9	5.86%	8,207,351.9
	50,249.28		451.80		1,797.48	,910.18		78.53		31.65
Total	12,919,195,971.55	100.00%	949,424,174.07	7.35%	11,969,771,797.48	8,989,731,837.45	100.00%	782,379,905.80	8.70%	8,207,351,931.65

Withdrawal of bad-debt reserves by single item: Accounts receivable with significant single amount and separately withdrawn bad-debt reserves

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
Including: VENEZOLANA DE INDUSTRIA TECNOLOGICA, C.A.	265,484,222.27	265,484,222.27	100.00%	Affected by Venezuela's foreign exchange risk, it is expected that it will not be recovered
Total	265,484,222.27	265,484,222.27	--	-

Withdrawal of bad-debt reserves by single item: Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	261,500.00	261,500.00	100.00%	公司已注销或被吊销
Total	261,500.00	261,500.00	--	-

Withdrawal of bad-debt reserves by single item:

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal

Withdrawal of bad-debt reserves in portfolios: Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	12,653,450,249.28	683,678,451.80	5.40%
Total	12,653,450,249.28	683,678,451.80	--

Descriptions for determining the combination basis:

Withdrawal of bad-debt reserves in portfolios

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion

Descriptions for determining the combination basis:

If the bad-debt reserves of accounts receivable are made according to the general model of expected credit loss, refer to the disclosure method of other receivables to disclose relevant information on bad-debt reserves:

Applicable Not applicable

Disclosure by account age

Unit: RMB

Account age	Book balance
Within 1 year (inclusive)	12,482,140,812.95
1-2 years	118,185,416.60
2-3 years	21,882,960.24
Over 3 years	296,986,781.76
3-4 years	5,788,499.90
4-5 years	1,212,244.51
Over 5 years	289,986,037.35
Total	12,919,195,971.55

(2) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Accounts receivable for which bad-debt reserves are recognized on an individual basis						
Including: Accounts receivable with significant single amount and separately withdrawn bad-debt reserves	271,717,927.27		6,130,749.70		-102,955.30	265,484,222.27
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves		261,500.00				261,500.00
Accounts receivable for which bad-debt reserves are recognized on a combination basis						

Including: Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	510,661,978.53	305,536,003.86	130,474,602.70		-2,044,927.89	683,678,451.80
Total	782,379,905.80	305,797,503.86	136,605,352.40		-2,147,883.19	949,424,174.07

Thereinto, important amounts of bad-debt reserves recovered or reversed in the current period:

Unit: RMB

Unit name	Amount recovered or reversed	Recovery method
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(3) Accounts receivable of the top five among ending balance collected by the debtor

Unit: RMB

Unit name	Ending balance of accounts receivable	Proportion of the total ending balance of accounts receivable	Ending balance of bad-debt reserves
Customer 1	1,858,981,339.06	14.39%	92,949,066.95
Customer 2	926,650,993.53	7.17%	46,332,549.68
Customer 3	760,622,355.66	5.89%	38,031,117.78
Customer 4	429,568,625.79	3.33%	21,478,431.29
Customer 5	426,392,260.91	3.30%	21,319,613.05
Total	4,402,215,574.95	34.08%	

(4) Accounts receivable derecognized due to transfer of financial assets

The Company derecognizes accounts receivable due to factoring business, and the ending balance of accounts receivable was RMB 1,948,989,447.12.

4. Receivables financing

Unit: RMB

Item	Ending balance	Beginning balance
Accounts receivable measured at fair value with changes included in other comprehensive incomes	18,318,958.03	308,351,629.57
Notes receivable measured at fair value with changes included in other comprehensive incomes	263,818,771.47	1,004,176,905.71
Total	282,137,729.50	1,312,528,535.28

Changes in increase or decrease and changes in fair value of receivables financing in the current period

Applicable Not applicable

If the impairment reserves of receivables financing are made according to the general model of expected credit loss, refer to the disclosure method of other receivables to disclose relevant information on impairment reserves:

Applicable Not applicable

Other descriptions:

(1) Accounts receivable measured at fair value with changes included in other comprehensive incomes

Item	Ending balance	Beginning balance
Accounts receivable measured at fair value with changes included in other comprehensive incomes	18,318,958.03	308,351,629.57
Minus: Bad-debt reserves		
Total	18,318,958.03	308,351,629.57

Other descriptions: Some of our subsidiaries factoring their accounts receivable based on their daily fund management needs, therefore the Company classifies the remaining accounts receivable on their books as financial assets measured at the fair value with the changes included into other comprehensive incomes. The fair value of this portion of accounts receivable is RMB 18,318,958.03, and the bad-debt reserves measured based on expected credit losses for the entire existence period are RMB 0.00.

(2) Notes receivable measured at the fair value with the changes included into other comprehensive incomes

Other descriptions: The Company endorses some bank acceptance bills according to the needs of daily fund management, so the remaining bank acceptance bills on the book are classified as financial assets measured at the fair value with the changes included into other comprehensive incomes.

As of December 31, 2021, the Company measured bad-debt reserves for notes receivable measured at fair value with changes included into other comprehensive incomes based on expected credit losses over the entire term. The Company believed that the bankers' acceptance bill held did not have significant credit risk and would not cause significant losses due to bank default, so the bad-debt reserves were not calculated and withdrawn.

(3) Receivables financing that has been pledged by the Company at the end of the period: None.

(4) Receivables financing that the Company has endorsed or discounted and has not yet expired within the balance sheet date at the end of the period

Item	Derecognized amount at the end of the period	Recognized amount at the end of the period
Bank acceptance bills	833,620,702.92	
Commercial acceptance bills		
Total	833,620,702.92	

5. Advance payment

(1) Presentation of advance payment by account age

Unit: RMB

Account age	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	45,277,382.85	82.52%	70,435,622.79	87.95%
1-2 years	2,670,380.82	4.87%	9,344,356.28	11.67%
2-3 years	6,918,550.44	12.61%	222,731.00	0.28%
Over 3 years			79,908.85	0.10%
Total	54,866,314.11	--	80,082,618.92	-

Description for reasons of failure in timely settlement of advance payment with over 1 year of account age and important amounts:

(2) Advance payment of the top five among ending balance collected as per the advance payment object

Total amount of the first five advance payment of ending balance collected as per advance payment object is RMB 33,202,143.21, accounting for 60.51% in total amount of ending balance of advance payment.

Other descriptions:

6. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	63,026,008.69	75,950,171.78
Total	63,026,008.69	75,950,171.78

(1) Other receivables

1) Classification of other receivables according to the nature of payment

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Staff reserves	14,044,938.58	19,311,157.43
Deposits	6,943,556.98	5,261,418.72
Accounts receivable related to KB business	1,955,236.86	2,012,726.95
Other payments	9,153,173.84	25,220,643.85
Performance bond	57,349,182.70	55,060,633.77
Intercourse funds	7,063,901.00	1,315,191.82
Total	96,509,989.96	108,181,772.54

Bad-debt reserves

Unit: RMB

Bad-debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the future 12 months	Expected credit loss throughout the entire duration (credit impairment that has not occurred)	Expected credit loss throughout the entire duration (credit impairment that has occurred)	
Balance as of January 1, 2021	30,218,873.81		2,012,726.95	32,231,600.76
Balance as of January 1, 2021 in the current period				
- Transfer to Stage III	-114,658.00		114,658.00	0.00
Calculation and withdrawal in the current period	2,495,692.26		28,664.50	2,524,356.76
Reverse in the current period	1,214,475.43			1,214,475.43
Other changes	-10.73		-57,490.09	-57,500.82
Balance as of December 31, 2021	31,385,421.91		2,098,559.36	33,483,981.27

Changes in the book balance with significant changes in loss reserves for the current period

 Applicable Not applicable

Disclosure by account age

Unit: RMB

Account age	Book balance
Within 1 year (inclusive)	29,671,659.22
1-2 years	16,520,962.08
2-3 years	9,190,059.74
Over 3 years	41,127,308.92
3-4 years	12,642,403.15
4-5 years	6,792,328.42
Over 5 years	21,692,577.35
Total	96,509,989.96

3) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Other receivables with expected credit loss of 0 and no provision for credit impairment losses						
Other receivables with expected credit impairment throughout the entire existence period	2,012,726.95	143,322.50			-57,490.09	2,098,559.36
Other receivables reserved for bad debts in accordance with the same credit risk characteristic portfolio	30,218,873.81	2,495,692.26	1,329,133.43		-10.73	31,385,421.91
Total	32,231,600.76	2,639,014.76	1,329,133.43		-57,500.82	33,483,981.27

Thereinto, important amounts of bad-debt reserves reversed or recovered in the current period:

Unit: RMB

Unit name	Amount reversed or recovered	Recovery method
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4) Other receivables of top five ending balances collected by the debtor

Unit: RMB

Unit name	Nature of payment	Ending balance	Account age	Proportion of the total ending balance of other receivables	Ending balance of bad-debt reserves
Nanjing Suning Electronic Information Technology Co., Ltd.	Deposits	17,297,135.85	0-5 years	17.92%	9,565,670.67
Inspur Software Group Co., Ltd.	Deposits	7,502,153.32	0-5 years	7.77%	4,649,418.66
Beijing Zhongjia Huacheng Software Technology Co., Ltd.	Other transactions	2,250,000.00	Over 5 years	2.33%	1,800,000.00
Suzhou Wuzhong Assets Operation Management Co., Ltd.	Deposits	2,172,900.00	0-2 years	2.25%	0.00
Shenzhen Ping An Comprehensive Financial Services Co., Ltd.	Deposits	2,000,000.00	3-4 years	2.07%	1,600,000.00
Total	-	31,222,189.17	-	32.34%	17,615,089.33

7. Inventory

Whether the Company needs to comply with real estate industry disclosure requirements No

(1) Classification of inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Inventory falling price reserves/impairment reserves for contract performance cost	Book value	Book balance	Inventory falling price reserves/impairment reserves for contract performance cost	Book value
Raw materials	17,914,307,809.22	764,666,894.70	17,149,640,914.52	6,865,793,714.41	582,263,980.28	6,283,529,734.13
Products in progress	899,448,909.40	0.00	899,448,909.40	352,451,432.20		352,451,432.20
Inventory goods	4,370,579,813.18	152,176,377.56	4,218,403,435.62	4,387,229,685.54	79,954,386.15	4,307,275,299.39
Goods shipped in transit	134,735,308.03	0.00	134,735,308.03			
Total	23,319,071,839.83	916,843,272.26	22,402,228,567.57	11,605,474,832.15	662,218,366.43	10,943,256,465.72

(2) Inventory falling price reserves and impairment reserves for contract performance cost

Unit: RMB

Item	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Calculation and withdrawal	Others	Reverse or write-off	Others	
Raw materials	582,263,980.28	587,550,744.14		402,909,791.15	2,238,038.57	764,666,894.70
Products in progress						0.00
Inventory goods	79,954,386.15	76,203,987.03		3,981,995.62		152,176,377.56
Total	662,218,366.43	663,754,731.17		406,891,786.77	2,238,038.57	916,843,272.26

8. Other current assets

Unit: RMB

Item	Ending balance	Beginning balance
Reverse repo of national debt		300,000,000.00
Prepaid taxes	60,838,530.06	14,337,748.82
Unamortized expenses	1,804,336.79	4,892,787.87
Taxes to be deductible	960,891,457.59	641,649,779.61
Export tax rebate receivable	277,251,592.17	353,349,919.03
Prepaid franchise fees	5,754,521.87	5,353,586.90
Total	1,306,540,438.48	1,319,583,822.23

Other descriptions:

9. Long-term equity investment

Unit: RMB

Investee	Beginning balance (book value)	Increase/decrease changes in the current period								Ending balance (book value)	Ending balance of impairment reserves
		Additional investments	Negative investments	Investment profit and loss recognized by the equity method	Adjustments of other comprehensive incomes	Other equity changes	Cash dividends or profits to be issued as announced	Provision for impairment reserves	Others		
I. Joint venture											
Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	85,078,526.48			-24,865.71						85,053,660.77	
Subtotal	85,078,526.48			-24,865.71						85,053,660.77	
II. Associated enterprise											
Jinan Inspur High-tech Investment Development Co., Ltd.	153,563,727.92			1,893,632.21						155,457,360.13	
TUNGKONG INC.	56,477,308.97			6,650,111.06		539,646.58	7,783,304.80			55,883,761.81	

Shandong SinoChip Semiconductors Co., Ltd.	5,996,726.35			85,645.59	-98,876.51					5,983,495.43	
Shandong Huaxin Youchuang Technology Co., Ltd.	7,083,786.59			-1,819,490.88	-769,940.04					4,494,355.67	
Subtotal	223,121,549.83			6,809,897.98	-868,816.55	539,646.58	7,783,304.80			221,818,973.04	
Total	308,200,076.31			6,785,032.27	-868,816.55	539,646.58	7,783,304.80			306,872,633.81	

Other descriptions

10. Investment property

(1) Investment property measured by the cost method

Applicable Not applicable

Unit: RMB

Item	Buildings and structures	Land use right	Construction in progress	Total
I. Original book value				
1. Beginning balance	138,059,768.44			138,059,768.44
2. Amount increased in the current period				
(1) Outsourcing				
(2) Inventory\fixed assets\transferred into construction in progress				
(3) Increase due to business combination				
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	138,059,768.44			138,059,768.44

II. Accumulated depreciation and accumulated amortization				
1. Beginning balance	38,128,425.61			38,128,425.61
2. Amount increased in the current period	3,301,160.40			3,301,160.40
(1) Calculation and withdrawal or amortization	3,301,160.40			3,301,160.40
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	41,429,586.01			41,429,586.01
III. Impairment reserves				
1. Beginning balance	4,014,480.00			4,014,480.00
2. Amount increased in the current period				
(1) Calculation and withdrawal				
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	4,014,480.00			4,014,480.00
IV. Book value				
1. Ending book value	92,615,702.43			92,615,702.43
2. Beginning book value	95,916,862.83			95,916,862.83

(2) Investment property measured at the fair value

Applicable Not applicable

(3) Investment property without property right certificate

Unit: RMB

Item	Book value	Reason for not obtaining the property right certificate

Other descriptions

11. Fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	979,437,091.63	1,063,826,938.88
Total	979,437,091.63	1,063,826,938.88

(1) Fixed assets

Unit: RMB

Item	Buildings and structures	Machinery and equipment	Transport equipment	Electronic equipment	Other equipment	Total
I. Original book value:						
1. Beginning balance	484,409,500.62	491,842,909.44	28,942,338.17	193,214,908.60	289,448,975.12	1,487,858,631.95
2. Amount increased in the current period		35,468,828.42	2,275,053.09	14,493,794.67	153,327,059.56	205,564,735.74
(1) Acquisition		35,341,499.07	2,275,053.09	14,493,794.67	104,751,651.76	156,861,998.59
(2) Transferred into construction in progress		127,329.35			3,096,381.02	3,223,710.37
(3) Increase due to business combination						
(4) Category adjustment					45,479,026.78	45,479,026.78
3. Amount decreased in the current period	6,170,727.92	3,113,686.04	3,859,811.89	68,617,725.86	22,787,252.97	104,549,204.68
(1) Disposal or scrapping		3,069,586.33	3,826,331.49	22,823,977.01	22,454,049.38	52,173,944.21
(2) Category adjustment				45,479,026.78		45,479,026.78
(3) Others	6,170,727.92	44,099.71	33,480.40	314,722.07	333,203.59	6,896,233.69
4. Ending balance	478,238,772.70	524,198,051.82	27,357,579.37	139,090,977.41	419,988,781.71	1,588,874,163.01

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

II. Accumulated depreciation						
1. Beginning balance	74,634,421.40	116,164,249.06	24,920,474.06	118,250,295.47	87,892,799.91	421,862,239.90
2. Amount increased in the current period	17,952,382.86	82,390,266.58	966,428.64	19,617,149.32	105,034,489.12	225,960,716.52
(1) Calculation and withdrawal	17,952,382.86	82,390,266.58	966,428.64	19,617,149.32	85,494,990.21	206,421,217.61
(2) Category adjustment					19,539,498.91	19,539,498.91
3. Amount decreased in the current period	217,720.44	2,401,973.83	2,935,961.12	42,351,621.84	20,807,832.72	68,715,109.95
(1) Disposal or scrapping		2,379,331.37	2,919,221.77	22,625,143.42	20,725,983.35	48,649,679.91
(2) Category adjustment				19,539,498.91		19,539,498.91
(3) Others	217,720.44	22,642.46	16,739.35	186,979.51	81,849.37	525,931.13
4. Ending balance	92,369,083.82	196,152,541.81	22,950,941.58	95,515,822.95	172,119,456.31	579,107,846.47
III. Impairment reserves						
1. Beginning balance		8,875.54	288,461.20	1,604,846.34	267,270.09	2,169,453.17
2. Amount increased in the current period					29,082,652.01	29,082,652.01
(1) Calculation and withdrawal					29,082,652.01	29,082,652.01
3. Amount decreased in the current period			64,342.84	693,206.28	165,331.15	922,880.27
(1) Disposal or scrapping			64,342.84	693,206.28	165,331.15	922,880.27
4. Ending balance		8,875.54	224,118.36	911,640.06	29,184,590.95	30,329,224.91
IV. Book value						
1. Ending book value	385,869,688.88	328,036,634.47	4,182,519.43	42,663,514.40	218,684,734.45	979,437,091.63
2. Beginning book value	409,775,079.22	375,669,784.84	3,733,402.91	73,359,766.79	201,288,905.12	1,063,826,938.88

12. Construction in progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	121,384,942.40	17,686,703.29
Total	121,384,942.40	17,686,703.29

(1) Construction in progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Exhibition Hall and Factory Renovation in the US Office Area				3,168,840.52		3,168,840.52
Guiyang Inspur big Data Industrial Park Project	72,692,341.11		72,692,341.11	14,517,862.77		14,517,862.77
Suzhou Factory Phase III Project	48,692,601.29		48,692,601.29			
Total	121,384,942.40		121,384,942.40	17,686,703.29		17,686,703.29

(2) Changes of major construction in progress in the current period

Unit: RMB

Project name	Budget	Beginning balance	Amount increased in the current period	Transfer-in amount of fixed assets in the current period	Other decreased amount in the current period	Ending balance	Proportion of accumulative engineering investment in budget	Project progress	Accumulated amount of interest capitalization	Including: Interest capitalization amount of the current period	Interest capitalization rate of the current period	Sources of funds
Warehousing and Supporting Projects of Guiyang Inspur Big Data Industrial Park	180,000,000.00	14,517,862.77	58,174,478.34			72,692,341.11	40.38%	40%	232,826.16	232,826.16	3.50%	Others
Suzhou Factory Phase III Project	120,000,000.00		48,692,601.29			48,692,601.29	40.58%	40%				Others
Total	300,000,000.00	14,517,862.77	106,867,079.63			121,384,942.40	--	-	232,826.16	232,826.16		-

13. Right-of-use assets

Unit: RMB

Item	Plant lease	Office area lease	Total
I. Original book value:			
1. Beginning balance	34,270,835.24	23,873,218.75	58,144,053.99
2. Amount increased in the current period	19,575,153.18	34,894,694.15	54,469,847.33
(1) Lease	19,575,153.18	34,894,694.15	54,469,847.33
3. Amount decreased in the current period	16,460,524.21	23,873,218.75	40,333,742.96
(1) Disposal	16,460,524.21	23,873,218.75	40,333,742.96
4. Ending balance	37,385,464.21	34,894,694.15	72,280,158.36
II. Accumulated depreciation			
1. Beginning balance			
2. Amount increased in the current period	10,702,135.34	14,576,211.30	25,278,346.64
(1) Calculation and withdrawal	10,702,135.34	14,576,211.30	25,278,346.64
3. Amount decreased in the current period	4,266,694.68	3,295,644.99	7,562,339.67
(1) Disposal	4,266,694.68	3,295,644.99	7,562,339.67
4. Ending balance	6,435,440.66	11,280,566.31	17,716,006.97
III. Impairment reserves			
1. Beginning balance			
2. Amount increased in the current period			
(1) Calculation and withdrawal			
3. Amount decreased in the current period			
(1) Disposal			
4. Ending balance			
IV. Book value			
1. Ending book value	30,950,023.55	23,614,127.84	54,564,151.39
2. Beginning book value	34,270,835.24	23,873,218.75	58,144,053.99

Other descriptions:

14. Intangible assets**(1) Intangible assets**

Unit: RMB

Item	Land use right	Patent right	Non-patented technology	Outsourced proprietary software	Total
I. Original book value					
1. Beginning balance	210,999,357.40		552,484,713.45	388,313,209.92	1,151,797,280.77
2. Amount increased in the current period				30,052,699.02	30,052,699.02
(1) Acquisition				30,052,699.02	30,052,699.02
(2) Internal research and development					
(3) Increase due to business combination					
3. Amount decreased in the current period				11,995,633.59	11,995,633.59
(1) Disposal				11,981,009.77	11,981,009.77
(2) Others				14,623.82	14,623.82
4. Ending balance	210,999,357.40		552,484,713.45	406,370,275.35	1,169,854,346.20
II. Accumulated amortization					
1. Beginning balance	40,013,295.45		325,781,237.84	174,727,287.60	540,521,820.89
2. Amount increased in the current period	4,370,703.72		70,733,375.22	53,327,672.78	128,431,751.72
(1) Calculation and withdrawal	4,370,703.72		70,733,375.22	53,327,672.78	128,431,751.72
3. Amount decreased in the current period				11,911,271.32	11,911,271.32
(1) Disposal				11,908,119.08	11,908,119.08
(2) Others				3,152.24	3,152.24
4. Ending balance	44,383,999.17		396,514,613.06	216,143,689.06	657,042,301.29

III. Impairment reserves					
1. Beginning balance			78,779,688.77	2,753,019.89	81,532,708.66
2. Amount increased in the current period				32,446,677.58	32,446,677.58
(1) Calculation and withdrawal				32,446,677.58	32,446,677.58
3. Amount decreased in the current period				69,732.26	69,732.26
(1) Disposal				69,732.26	69,732.26
4. Ending balance			78,779,688.77	35,129,965.21	113,909,653.98
IV. Book value					
1. Ending book value	166,615,358.23		77,190,411.62	155,096,621.08	398,902,390.93
2. Beginning book value	170,986,061.95		147,923,786.84	210,832,902.43	529,742,751.22

At the end of the current period, intangible assets formed through internal research and development accounted for 19.35% of the intangible asset balance.

(2) Land use right without property right certificate

Unit: RMB

Item	Book value	Reason for not obtaining the property right certificate
Land of Guiyang Inspur big Data Industrial Park	22,590,372.00	In process

Other descriptions:

15. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of the investee and matters generating goodwill	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Resulted from business combination		Disposal		
Inspur (Beijing) Electronic Information Industry Co., Ltd.	643,015.39					643,015.39
Total	643,015.39					643,015.39

16. Long-term unamortized expenses

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount amortized in the current period	Other decreased amount	Ending balance
Industrial park greening fee	94,201.17		94,201.17		
Industrial park renovation fee	5,562,080.29		1,153,782.51		4,408,297.78
Industrial park exterior wall and LED renovation	780,582.12		191,162.88		589,419.24
Decoration fee for Building S05	7,696,154.38	412,844.04	2,495,974.46		5,613,023.96
Sporadic works in the Suncun Village factory area	9,227,153.32	2,516,448.03	2,985,347.36		8,758,253.99
Renovation of Beijing office area	1,784,619.80	1,992,659.79	952,878.15		2,824,401.44
Renovation of Jinan office area	143,824.99		75,039.20		68,785.79
Jinan factory renovation	3,720,073.18		1,089,626.28		2,630,446.90
Suzhou plant renovation	64,846,291.85	2,768,482.78	16,419,905.48		51,194,869.15
Board tooling	0.03		0.03		
NCT production line technical service fee	911,913.17	90,445.07	353,773.89		648,584.35
Miscellaneous expenses	1,156,424.69	5,229,425.96	760,106.56	4,159.10	5,621,584.99
Other decoration expenses	1,138,757.30	156,477.70	1,213,787.49		81,447.51
Network cable engineering	33,902.43	4,083.24	37,985.67		
Xiamen factory production network installation	65,708.32		25,435.44		40,272.88
Chengdu plant renovation	14,809,871.48	1,670,856.90	14,715,344.50	1,765,383.88	
Gangsheng Building Renovation Project	1,609,604.83	88,869.84	389,433.28		1,309,041.39

Inspur Nanning exhibition hall project	699,119.48		699,119.48		
Guangzhou Platform Laboratory Renovation Project		721,549.39	101,016.91		620,532.48
Total	114,280,282.83	15,652,142.74	43,753,920.74	1,769,542.98	84,408,961.85

Other descriptions

17. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets without offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Asset impairment reserves	989,161,404.69	148,890,267.06	657,789,087.78	99,069,811.17
Unrealized profits of internal transaction	298,784,330.73	44,817,649.61	354,710,297.05	49,683,054.29
Deductible losses	10,331,357.14	2,582,839.28	198,155,923.68	48,560,603.15
Bad-debt reserves of accounts receivable	666,564,380.53	106,227,538.39	427,566,318.24	74,700,464.31
Deferred incomes	113,581,305.96	16,278,954.16	79,852,888.89	15,107,933.33
Differences in US corporate tax policies	0.00	0.00	1,895,682.20	1,165,480.12
Quality assurance cost	304,254,473.75	45,638,171.06	183,471,971.09	27,520,795.66
Customer service value-added services revenue	99,353,640.68	14,903,046.10	35,413,635.18	5,312,045.28
Lease	3,317,880.02	497,333.29		
Total	2,485,348,773.50	379,835,798.95	1,938,855,804.11	321,120,187.31

(2) Deferred income tax liabilities without offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Differences in US corporate tax policies	9,144,770.77	2,728,799.60	10,533,052.86	2,211,941.10
One-time deduction for fixed asset depreciation	46,801,228.53	11,700,307.13	54,217,067.93	13,554,266.99
Total	55,945,999.30	14,429,106.73	64,750,120.79	15,766,208.09

(3) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	454,660,994.06	663,131,041.08
Deductible losses	400,929,266.42	136,929,115.33
Total	855,590,260.48	800,060,156.41

(4) Deductible losses of unrecognized deferred income tax assets shall expire in the following years

Unit: RMB

Year	Ending amount	Beginning amount	Remarks
2021		5,072,006.29	
2022	3,966,082.77	3,966,728.11	
2023	6,024,418.71	6,024,926.56	
2024	2,438,814.71	10,347,839.70	
2025	191,770,370.82	111,517,614.67	
2026	196,729,579.41	0.00	
Total	400,929,266.42	136,929,115.33	--

Other descriptions:

18. Other non-current assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Advance payment for equipment	31,624,722.64		31,624,722.64	81,558,580.93		81,558,580.93
Advance payment for construction	1,954,735.42		1,954,735.42	189,351.54		189,351.54
Advance for house-purchase funds				8,515,850.00		8,515,850.00
Total	33,579,458.06		33,579,458.06	90,263,782.47		90,263,782.47

Other descriptions:

19. Short-term borrowings**(1) Classification of short-term loans**

Unit: RMB

Item	Ending balance	Beginning balance
Guaranteed borrowings		889,705,398.52
Credit borrowings	4,558,032,922.89	1,801,611,597.25
Total	4,558,032,922.89	2,691,316,995.77

Descriptions of short-term borrowing classification:

20. Trading financial liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Trading financial liabilities	3,016,539.09	3,555,903.85
Including:		
Interest rate swap contract measured at the fair value with the changes included into the current profits and losses	3,016,539.09	3,555,903.85
Including:		
Total	3,016,539.09	3,555,903.85

Other descriptions:

21. Notes payable

Unit: RMB

Category	Ending balance	Beginning balance
Commercial acceptance bills	272,475,999.11	107,565,846.64
Bank acceptance bills	1,271,265,667.54	3,000,000,000.00
Total	1,543,741,666.65	3,107,565,846.64

The amount of due unpaid notes payable is RMB 0.00 at the end of the current period.

22. Accounts payable

(1) Presentation of accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
Within 1 year (inclusive)	17,673,081,832.29	9,942,209,383.53
1-2 years (inclusive)	75,684,155.27	63,148,764.80
2-3 years (inclusive)	420,879.93	2,102,798.01
3-4 years (inclusive)	48,435.39	883,518.69
4-5 years (inclusive)	869,628.10	525,354.52
Over 5 years	3,449,416.62	2,955,819.57
Total	17,753,554,347.60	10,011,825,639.12

23. Contract liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Advances on sales	1,106,053,051.11	3,596,856,244.21
Advance collection of maintenance service fees	581,375,793.90	488,653,329.74
Total	1,687,428,845.01	4,085,509,573.95

Amount with major changes in its book value during the reporting period and its reasons

Unit: RMB

Item	Variation amount	Change reason
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24. Payroll payable

(1) Presentation of payroll payable

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
I. Short-term remuneration	407,305,122.15	3,032,304,434.40	2,977,030,514.84	462,579,041.71
II. Post-employment benefits - defined contribution plan	3,190,335.61	183,044,986.61	184,853,948.62	1,381,373.60
III. Dismissal benefits		1,452,121.90	1,452,121.90	
Total	410,495,457.76	3,216,801,542.91	3,163,336,585.36	463,960,415.31

(2) Presentation of short-term remuneration

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
1. Wages, bonuses, allowances and subsidies	177,552,374.75	2,682,612,216.21	2,701,077,367.47	159,087,223.49
2. Employee services and benefits		30,104,554.68	29,804,334.09	300,220.59
3. Social insurance premium	4,442,057.02	106,325,648.45	107,326,990.94	3,440,714.53
Including: Medical insurance premium	1,650,105.16	101,620,558.99	102,575,098.86	695,565.29
Work-related injury insurance premium	90,756.31	3,184,664.37	3,213,775.71	61,644.97
Birth insurance premium	85,655.33	1,254,981.17	1,272,672.45	67,964.05
Other insurances	2,615,540.22	265,443.92	265,443.92	2,615,540.22
4. Housing provident fund	1,602,557.06	132,281,813.84	133,491,884.69	392,486.21
5. Labor union funds and employees education funds	220,995,589.30	80,164,069.80	4,776,176.90	296,383,482.20
6. Short-term paid absences	2,712,544.02	816,131.42	553,760.75	2,974,914.69
Total	407,305,122.15	3,032,304,434.40	2,977,030,514.84	462,579,041.71

(3) Presentation of defined contribution plan

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
1. Basic endowment insurance	2,989,632.92	175,796,044.68	177,516,774.55	1,268,903.05
2. Unemployment insurance premium	200,702.69	7,248,941.93	7,337,174.07	112,470.55
Total	3,190,335.61	183,044,986.61	184,853,948.62	1,381,373.60

Other descriptions:

25. Taxes payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	59,274,270.27	105,623,761.83
Corporate income tax	186,901,789.45	275,774,581.55
Individual income tax	50,403,114.04	18,143,823.71
Urban maintenance and construction taxes	2,118,870.63	6,128,208.67
Education surcharges	1,290,110.77	2,770,869.60
Local education surcharges	218,805.38	613,562.19
Local water conservancy fund	0.00	102,193.10
Property tax	779,550.37	586,011.93
Land use tax	583,355.51	561,837.22
Stamp tax	11,842,140.00	9,738,550.11
Tariff	4,452,598.69	3,681,118.57
Total	317,864,605.11	423,724,518.48

Other descriptions:

26. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Other payables	161,568,047.13	127,682,594.70
Total	161,568,047.13	127,682,594.70

(1) Other payables**1) Other payables presented by the nature of funds**

Unit: RMB

Item	Ending balance	Beginning balance
Spare parts credit deposit	7,467,821.50	14,641,239.91
Collection and deduction	28,976,094.85	29,823,456.38
Unpaid expenses	72,656,770.21	46,063,412.83
Project funds	380,506.04	3,750,921.07
Intercourse funds	52,086,854.53	33,403,564.51
Total	161,568,047.13	127,682,594.70

27. Non-current liabilities due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	5,340,258.31	
Bonds payable due within one year		203,993,643.85
Lease liabilities due within one year	16,051,970.97	
Total	21,392,229.28	203,993,643.85

Other descriptions:

28. Other current liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Short-term bonds payable	2,014,739,726.03	1,012,909,589.05
Output tax to be written-off	133,297,194.59	524,364,865.39
Total	2,148,036,920.62	1,537,274,454.44

Increase or decrease of short-term bonds payable:

Unit: RMB

Name of bonds	Face value	Issued date	Maturity of bonds	Amount issued	Beginning balance	Issue in the current period	Provision of interests based on face value	Amortization of premium and discount	Repayment in the current period	Ending balance
20 Inspur Electronic SCP002	100.00	2020-4-28	269 days	1,000,000,000.00	1,012,909,589.05		1,093,150.68		1,014,002,739.73	
21 Inspur Electronic SCP001	100.00	2021-7-20	148 days	1,000,000,000.00		1,000,000,000.00	10,542,465.75		1,010,542,465.75	
21 Inspur Electronic SCP002	100.00	2021-8-26	124 days	2,000,000,000.00		2,000,000,000.00	16,646,575.34		2,016,646,575.34	
21 Inspur Electronic SCP003	100.00	2021-9-17	267 days	2,000,000,000.00		2,000,000,000.00	14,739,726.03			2,014,739,726.03
Total	--	--	-	6,000,000,000.00	1,012,909,589.05	5,000,000,000.00	43,021,917.80		4,041,191,780.82	2,014,739,726.03

Other descriptions:

29. Long-term borrowings

(1) Classification of long-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage borrowings	104,013,081.62	110,138,362.16
Guaranteed borrowings	878,000,000.00	
Credit borrowings	528,275,849.99	500,152,083.33
Total	1,510,288,931.61	610,290,445.49

Descriptions of long-term borrowing classification:

Note 1: The mortgage borrowings are borrowed by InspurAssetHolding, Inc, a subsidiary of the Company, by mortgaging its own land and factory buildings. For the mortgage situation, refer to "Note VII. 59. Assets with Restricted Ownership or Use Rights".

Note 2: The guaranteed borrowings are guaranteed by Inspur Group Co., Ltd., the parent company of the Company. For the guarantee situation, refer to "Note XII. 5.(4) Related-party Guarantee".

Other descriptions, including the range of interest rate:

30. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Ending balance	Beginning balance
Medium-term notes		203,993,643.85
Including: Bonds payable due within one year		-203,993,643.85

(2) Increase or decrease of bonds payable (excluding other financial instruments divided as financial liabilities, such as preferred shares, perpetual bonds, etc.)

Unit: RMB

Name of bonds	Face value	Issued date	Maturity of bonds	Amount issued	Beginning balance	Issue in the current period	Provision of interests based on face value	Amortization of premium and discount	Repayment in the current period	Ending balance
Medium-term notes	100.00	2018/8/30	3 years	200,000,000.00	203,993,643.85		6,966,356.15		210,960,000.00	
Total	--	--		200,000,000.00	203,993,643.85		6,966,356.15		210,960,000.00	

31. Lease liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Lease payments	59,490,742.76	63,975,499.20
Unrecognized financing expenses	-4,120,033.76	-6,754,091.30
Lease liabilities due within one year	-16,051,970.97	
Total	39,318,738.03	57,221,407.90

Other descriptions

31. Long-term payables

Unit: RMB

Item	Ending balance	Beginning balance
Special payables	735,000.00	735,000.00
Total	735,000.00	735,000.00

(1) Special payables

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance	Cause of formation
Jinan Development Zone Finance Bureau	75,000.00			75,000.00	
Shandong Provincial Department of Information Industry	660,000.00			660,000.00	
Total	735,000.00			735,000.00	--

Other descriptions:

33. Estimated liabilities

Unit: RMB

Item	Ending balance	Beginning balance	Cause of formation
Product quality assurance	304,254,473.75	183,471,971.09	
Total	304,254,473.75	183,471,971.09	--

Other descriptions, including description of important assumptions and estimates of important estimated liabilities:

Important assumptions and estimates related to expected product quality assurance costs: the Company reasonably estimates the product quality assurance fee rate based on actual expenditure data and sales data of past product quality assurance costs, combined with the provisions of the Company's relevant product quality assurance policies and the expected future product quality assurance costs based on realized sales data.

34. Deferred incomes

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance	Cause of formation
Government subsidies	82,007,055.56	143,863,700.00	110,911,949.60	114,958,805.96	Government subsidies for R&D projects
Total	82,007,055.56	143,863,700.00	110,911,949.60	114,958,805.96	-

Projects involving government subsidies:

Unit: RMB

Liability item	Beginning balance	Newly increased subsidy amount in the current period	Amount included in non-operating income in the current period	Amount included into other incomes in the current period	Write-down costs of the current period	Other changes	Ending balance	Asset-related/income-related
Industrial support funds (Suzhou factory decoration subsidies)	40,000,000.00			10,000,000.00			30,000,000.00	Asset-related
Nanning production line equipment subsidies	14,500,000.00			1,862,637.33			12,637,362.67	Asset-related
Chengdu decoration subsidies	7,366,666.67			7,366,666.67				Asset-related
Yunnan production line equipment subsidies		2,900,000.00		543,750.00			2,356,250.00	Asset-related
Other project subsidies	20,140,388.89	140,963,700.00		91,138,895.60			69,965,193.29	Income-related
Total	82,007,055.56	143,863,700.00		110,911,949.60			114,958,805.96	

Other descriptions:

35. Share capital

Unit: RMB

Item	Beginning balance	Increase (+) and decrease (-) in this change					Ending balance
		Issuance of new shares	Share donation	Provident fund converted into share capital	Others	Subtotal	
Total number of shares	1,453,721,310.00						1,453,721,310.00

Other descriptions:

36. Other equity instruments

(1) Basic information of outstanding preferred shares, perpetual bonds, and other financial instruments at the end of the period

On July 23, 2020, the Company issued the Stage I 2020 medium-term notes (perpetual bonds) with a total amount of RMB 1 billion, a face value of RMB 100, and an issuance interest rate of 5.0%. The time limit is 3+N years. After deducting underwriting fees and related transaction expenses, the actual cash received was RMB 999 million.

(2) Changes in outstanding preferred shares, perpetual bonds, and other financial instruments at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Amount increased in the current period		Amount decreased in the current period		End of the period	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Perpetual bonds	20,000,000	1,996,516,981.13			10,000,000	996,819,811.32	10,000,000	999,697,169.81
Total	20,000,000	1,996,516,981.13			10,000,000	996,819,811.32	10,000,000	999,697,169.81

Description of the increase and decrease in other equity instruments and the reasons, and the basis of accounting treatment:

Other descriptions:

The perpetual medium-term note contracts issued by the Company do not include contractual obligations to deliver cash or other financial assets to other parties, nor do they include contractual obligations to exchange financial assets or liabilities with other parties under potential adverse conditions. Therefore, the Company recognizes them as other equity instruments in accordance with the definitions of equity instruments in the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments*, and the *Provisions on the Differentiation and Related Accounting Treatment of Financial Liabilities and Equity Instruments*.

37. Capital reserves

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
Capital premium (share capital premium)	6,316,802,434.32		3,180,188.68	6,313,622,245.64
Other capital reserves	221,305,076.62	13,584,713.43		234,889,790.05
Total	6,538,107,510.94	13,584,713.43	3,180,188.68	6,548,512,035.69

Other descriptions, including the increase and decrease in the current period and reasons:

(1) Descriptions of changes in capital premium (share capital premium) and reasons for such changes:

1) The repayment of the Stage II 2018 medium-term notes (perpetual bonds) in the current period resulted in a decrease of RMB 3,180,188.68 in capital premium (share capital premium).

(2) Descriptions of changes in other capital reserves and reasons for such changes:

1) The provision of equity incentive expenses for the current period resulted in an increase of RMB 13,045,066.85 in other capital reserves;

2) TUNGKONG INC., an associated enterprise of the Company, experienced a capital reserve increase of RMB 15,133,263.70 due to a minority shareholder's capital increase in its subsidiary. The Company adjusted its long-term equity investment (other equity changes) and capital reserve (other capital reserves) based on its shareholding ratio, resulting in an increase of RMB 539,646.58 in other capital reserves.

38. Other comprehensive incomes

Unit: RMB

Item	Beginning balance	Accrual in the current period						Ending balance
		Amount incurred before income tax in the current period	Minus: Included into other comprehensive incomes at the earliest stage and transferred into the profits and losses in the current period	Minus: Included into other comprehensive incomes at the earliest stage and transferred into the retained earnings in the current period	Minus: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive incomes that cannot be reclassified into profits and losses		-868,816.55				-868,816.55		-868,816.55
Changes in fair value of other equity instrument investments		-868,816.55				-868,816.55		-868,816.55

II. Other comprehensive incomes that will be reclassified into the profits and losses	-7,246,101.03	-26,022,531.00				-26,022,531.00		-33,268,632.03
Including: Other comprehensive incomes that can be transferred into the profits and losses under the equity method	18,903,347.63							18,903,347.63
Translation balance of foreign currency financial statements	-26,149,448.66	-26,022,531.00				-26,022,531.00		-52,171,979.66
Total other comprehensive incomes	-7,246,101.03	-26,891,347.55				-26,891,347.55		-34,137,448.58

Other descriptions, including transferring the effective part of cash flow hedge profit and loss to initial recognition amount adjustment of hedged items:

The fair value change of other equity instrument investments was RMB 868,816.55, which was generated by the fair value change of other equity instrument investments in the current period of the Company's associated enterprises Shandong SinoChip Semiconductors Co., Ltd. and Shandong Huaxin Youchuang Technology Co., Ltd. The Company adjusted it based on the shareholding ratio.

39. Surplus reserves

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
Statutory surplus reserves	407,773,846.74	157,990,842.72		565,764,689.46
Total	407,773,846.74	157,990,842.72		565,764,689.46

Descriptions of surplus reserves, including the increase and decrease in the current period and reasons:

40. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	4,058,458,395.22	2,894,487,816.95
Undistributed profit at the beginning of the period after adjustment	4,058,458,395.22	2,894,487,816.95
Plus: Net profit attributable to the owners of the parent company in the current period	2,002,738,391.78	1,466,448,647.76
Minus: Withdrawal of statutory surplus reserves	157,990,842.72	137,390,436.70
Common share dividends payable	159,909,344.07	100,878,335.53
Plus: Others		790,702.74
Minus: Interest payable on perpetual bonds	115,000,000.00	65,000,000.00
Undistributed profits at the end of the period	5,628,296,600.21	4,058,458,395.22

Details of undistributed profit at the beginning of the period during adjustment period:

- 1) Due to retroactive adjustment for the *Accounting Standards for Business Enterprises* and its related new regulations, the affected undistributed profit at the beginning of the period is RMB.
- 2) The affected undistributed profit at the beginning of the period is RMB due to changes of accounting policy.
- 3) The affected undistributed profit at the beginning of the period is RMB due to correction of significant accounting error.
- 4) The affected undistributed profit at the beginning of the period is RMB due to the changes of consolidation scope under the common control.
- 5) The affected undistributed profit at the beginning of the period is RMB due to other adjustments.

41. Operating income and operating cost

Unit: RMB

Item	Accrual in the current period		Accrual in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	66,799,945,807.97	59,287,353,197.02	62,797,786,118.43	55,555,632,672.17
Other businesses	247,605,750.17	91,964,972.66	240,204,248.61	104,876,139.17
Total	67,047,551,558.14	59,379,318,169.68	63,037,990,367.04	55,660,508,811.34

Whether the net profit before and after deducting non-recurring gains and losses is negative after audit

Yes No

Information related to revenue:

Unit: RMB

Contract classification	Segment 1	Segment 2		Total
Goods type				
Including:				
Servers and components	64,342,315,534.63			64,342,315,534.63
IT terminals and bulk items	2,457,630,273.34			2,457,630,273.34
Others	247,605,750.17			247,605,750.17
Classification by operating area				
Including:				
China	59,965,865,602.39			59,965,865,602.39
Overseas	7,081,685,955.75			7,081,685,955.75
Total	67,047,551,558.14			67,047,551,558.14

Information related to performance obligations:

None

Information related to the transaction price allocated to the remaining performance obligations:

The revenue corresponding to the performance obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of the reporting period is RMB 6,790,455,047.73, with RMB 6,790,455,047.73 expected to be recognized as revenue in 2022.

Other descriptions

42. Taxes and surcharges

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Urban maintenance and construction taxes	15,548,820.59	21,469,282.24
Education surcharges	11,324,389.85	15,538,254.26
Property tax	2,980,179.72	2,974,316.93
Land use tax	2,470,516.70	2,957,076.78
Vehicle and vessel tax	35,455.00	3,379,660.50
Stamp tax	49,928,726.30	44,928,027.05
Local water conservancy fund	130,211.59	394,106.59
Total	82,418,299.75	91,640,724.35

Other descriptions:

43. Sales expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	331,071,302.93	902,176,869.77
Human resources costs	829,893,353.29	726,612,058.42
Asset holding expenses	23,360,162.21	24,985,657.14
Market expansion expenses	213,288,909.54	155,828,376.09
Other expenses	63,094,434.64	54,428,734.95
Total	1,460,708,162.61	1,864,031,696.37

Other descriptions:

44. Management expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	116,680,444.56	230,373,495.78
Human resources costs	469,101,445.34	452,294,916.66
Asset holding expenses	95,926,060.33	69,174,781.20
Other expenses	41,967,479.44	69,558,318.59
Total	723,675,429.67	821,401,512.23

Other descriptions:

45. R&D expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	389,863,653.99	340,507,556.77
Human resources costs	1,691,562,884.35	1,072,548,435.74
Asset holding expenses	206,073,682.21	197,617,727.65
Indirect expenses	633,794,593.02	1,024,782,411.49
Total	2,921,294,813.57	2,635,456,131.65

Other descriptions:

46. Financial expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Interest expenditure	239,056,415.85	156,351,475.42
Minus: Interest income	117,306,361.98	49,442,986.20
Lease liabilities - unrecognized financing costs and amortization	1,618,313.33	
Net exchange gain (the income is expressed with "-")	-213,798,316.51	-727,048.95
Commission expenditures	29,364,998.17	28,239,255.15
Total	-61,064,951.14	134,420,695.42

Other descriptions:

47. Other incomes

Unit: RMB

Source of other incomes	Accrual in the current period	Accrual in the previous period
Asset-related government subsidies	54,229,304.00	11,633,333.33
Income-related government subsidies	201,975,530.67	128,087,147.30
Software tax refund for immediate collection and refund	105,138,040.92	108,192,746.56
Total	361,342,875.59	247,913,227.19

48. Return on investment

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Return on long-term equity investment accounted by the equity method	6,785,032.27	3,281,794.70
Return on investment for disposal of trading financial assets	141,440,375.61	128,223,583.14
Total	148,225,407.88	131,505,377.84

Other descriptions:

49. Income from changes in fair value

Unit: RMB

Source of incomes from changes in fair value	Accrual in the current period	Accrual in the previous period
Trading financial assets	68,219.18	
Trading financial liabilities	463,500.34	-3,759,015.84
Total	531,719.52	-3,759,015.84

Other descriptions:

50. Credit impairment losses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Bad-debt losses of other receivables	-1,309,881.33	-1,322,015.36
Bad-debt losses of accounts receivable	-169,192,151.46	70,625,531.00
Total	-170,502,032.79	69,303,515.64

Other descriptions:

51. Asset impairment losses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
II. Loss on inventory falling price and impairment loss of contract performance cost	-663,754,731.17	-450,736,629.60
V. Impairment loss of fixed assets	-29,082,652.01	
X. Impairment loss of intangible assets	-32,446,677.58	-81,462,976.40
Total	-725,284,060.76	-532,199,606.00

Other descriptions:

52. Incomes from asset disposal

Unit: RMB

Source of incomes from assets disposal	Accrual in the current period	Accrual in the previous period
Profits or losses generated by disposing other non-current assets not divided into the held-for-sale category	-2,179,205.00	14,774.07

53. Non-operating income

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period	Amount included into the current non-recurring profits and losses
Government subsidies	4,000.00	38,000.00	4,000.00
Gains from the damage and scrapping of non-current assets	93,003.62		93,003.62
Incomes from penalties, etc.	7,645,053.36	4,661,533.66	7,645,053.36
Total	7,742,056.98	4,699,533.66	7,742,056.98

Government subsidies included into the current profits and losses:

Unit: RMB

Subsidy project	Issuing subject	Issuing reason	Nature type	Does the subsidiary affect the profit and loss of the current year?	Is it a special subsidiary?	Accrual in the current period	Accrual in the previous period	Asset-related/income-related
Subsidies for epidemic prevention	Xi'an High-tech Industrial Development Zone Talent Service Center	Awards	Subsidy gained from the specific industry encouraged and supported by the state (legally gain according to the state-level policy regulations)	No	No	4,000.00	18,000.00	Income-related
Subsidies for epidemic prevention	Administration Committee of Zhengdong New District, Zhengzhou City	Awards	Government subsidies provided to avoid losses for listed companies	No	No		20,000.00	Income-related

Other descriptions:

54. Non-operating expenditure

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period	Amount included into the current non-recurring profits and losses
Outward donation	358,138.83	2,021,979.02	358,138.83
Losses on the damage and scrapping of non-current assets	201,892.45	60,527,363.97	201,892.45
Penalty and late charge	334,308.13	47,164.12	334,308.13
Others	630,527.02	37,364.20	630,527.02
Total	1,524,866.43	62,633,871.31	1,524,866.43

Other descriptions:

55. Income tax expenses**(1) Table of income tax expenses**

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Current income tax expenses	190,577,188.20	302,667,965.92
Deferred income tax expenses	-60,953,387.88	-126,265,382.08
Supplement income tax expenses from previous years		
Total	129,623,800.32	176,402,583.84

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	Accrual in the current period
Total profits	2,159,553,528.99
Income tax expenses at statutory/applicable tax rate	323,933,029.35
Influence of different tax rates on subsidiaries	2,352,432.04
Influence of income tax before the adjustment	-40,471,106.19
Influence of non-taxable incomes	-7,838,761.97
Influence of non-deductible costs, expenses and losses	14,944,793.00
Influence of deductible loss of deferred income tax assets not recognized in the early stage of use	-17,184,251.16
Influence of deductible temporary differences or deductible losses in unrecognized deferred income tax assets in the current period	67,953,981.05
Influence of R&D expenses plus deduction	-163,249,575.30

Changes of deferred income tax assets/liabilities balance caused by adjustment of the tax rate at the beginning of the period	3,000,000.00
Others	-53,816,740.50
Income tax expenses	129,623,800.32

Other descriptions

56. Other comprehensive incomes

Refer to "Note VII. 38. Other Comprehensive Incomes" for details.

57. Items of cash flow statement

(1) Other cash received related to operating activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Government allocations	369,184,443.44	144,949,513.95
Interest income	117,325,504.76	48,671,859.49
Deposit, etc.	295,745,657.09	145,966,501.30
Total	782,255,605.29	339,587,874.74

Description of other cash received related to operating activities:

(2) Other cash paid related to operating activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Commission charges of financial institutions	21,949,478.97	28,239,255.15
Period expenses	1,703,279,919.43	2,699,578,672.77
Suspense payment	64,990,072.23	114,895,823.23
Total	1,790,219,470.63	2,842,713,751.15

Description of other cash paid related to operating activities:

(3) Other cash paid related to financing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Intermediary agency fees		3,500,150.00
Repayment of perpetual bonds	1,000,000,000.00	
Repayment of lease liabilities	19,601,071.67	
Total	1,019,601,071.67	3,500,150.00

Description of other cash paid related to financing activities:

58. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Unit: RMB

Supplementary information	Amount of the current period	Amount of the last period
1. Adjustment of the net profit into the cash flow of operating activities:	-	-
Net profit	2,029,929,728.67	1,508,972,147.09
Plus: Asset impairment reserves	895,786,093.55	462,896,090.36
Depreciation of fixed assets, waste of oil-gas assets and depreciation of productive biological assets	209,722,378.01	133,482,364.26
Depreciation of right-of-use assets	25,278,346.64	
Amortization of intangible assets	127,220,471.72	155,428,891.50
Amortization of long-term unamortized expenses	43,753,920.74	33,304,934.04
Losses on disposal of fixed assets, intangible assets and other long-term assets (the income is expressed with "-")	2,179,205.00	-14,774.07
Losses on abandonment of fixed assets (the income is expressed with "-")	108,888.83	60,527,363.97
Losses on changes of the fair value (the income is expressed with "-")	-531,719.52	3,759,015.84
Financial expenses (the income is expressed with "-")	243,733,249.28	106,908,489.22
Investment loss (the income is expressed with "-")	-148,225,407.88	-131,505,377.84
Decrease in deferred income tax assets (the increase is expressed with "-")	-58,715,611.64	-142,034,907.86
Increase in deferred income tax liabilities (the decrease is expressed with "-")	-1,337,101.36	15,745,279.49
Decrease in inventories (the increase is expressed with "-")	-12,120,488,794.45	-2,820,446,121.05
Decrease in operational receivable items (the increase is expressed with "-")	-3,248,095,361.67	710,531,754.46
Increase in operational payable items (the decrease is expressed with "-")	3,697,062,675.24	2,111,252,968.12
Others	13,045,066.85	121,506,317.11

Net cash flow generated from operating activities	-8,289,573,971.99	2,330,314,434.64
2. Important investing and financing activities unrelated to cash receipts and payments:	-	-
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents:	-	-
Ending balance of cash	7,258,420,031.71	9,952,056,143.05
Minus: Beginning balance of cash	9,952,056,143.05	6,350,784,184.66
Plus: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-2,693,636,111.34	3,601,271,958.39

(2) Net cash paid for acquisition of the subsidiary in the current period

Unit: RMB

	Amount
Including:	--

Other descriptions:

(3) Compositions of cash and cash equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	7,258,420,031.71	9,952,056,143.05
Including: Cash on hand	7,441.49	41,043.63
Bank deposit available for payment at any time	7,258,412,019.84	9,651,156,435.24
Other monetary capitals available for payment at any time	570.38	300,858,664.18
III. Balance of cash and cash equivalents at the end of the period	7,258,420,031.71	9,952,056,143.05

Other descriptions:

59. Assets with restricted ownership or use rights

Unit: RMB

Item	Ending book value	Reasons for restriction
Monetary capital	18,859,309.20	Margin deposit
Fixed assets	168,079,735.03	Mortgage of US land and factory buildings for borrowings
Total	186,939,044.23	-

Other descriptions:

60. Foreign currency monetary items**(1) Foreign currency monetary item**

Unit: RMB

Item	Balance of foreign currency at the end of the period	Conversion exchange rate	RMB balance converted at the end of the period
Monetary capital	-	-	-
Including: USD	38,846,650.28	6.3757	247,674,588.19
EUR	1,972,450.21	7.2197	14,240,498.78
HKD	14,770,984.25	0.8176	12,076,756.72
Hungarian forint	213,875,941.05	0.0196	4,191,968.44
JPY	3.00	0.0554	0.17
Accounts receivable	-	-	-
Including: USD	530,616,803.44	6.3757	3,383,053,553.69
EUR	3,718,591.01	7.2197	26,847,111.51
HKD			
GBP	598,701.79	8.6064	5,152,667.09
Short-term borrowings		--	
Including: USD	60,903,340.00	6.3757	388,301,424.84
Trading financial liabilities			
Including: USD	473,130.65	6.3757	3,016,539.09
Accounts payable		--	
Including: USD	1,535,935,144.84	6.3757	9,792,661,702.96
EUR	70,454.47	7.2197	508,660.14

Long-term borrowings	-	-	
Including: USD	16,313,986.17	6.3757	104,013,081.62
EUR			
HKD			

Other descriptions:

61. Government subsidies

(1) Basic information of government subsidies

Unit: RMB

Category	Amount	Presentation item	Amount included into the current profits and losses
Government subsidies related to ordinary activities of the Company	114,958,805.96	Deferred incomes	
Government subsidies related to ordinary activities of the Company	361,342,875.59	Other incomes	361,342,875.59
Government subsidies unrelated to ordinary activities of the Company	4,000.00	Non-operating income	4,000.00

(2) Refund of government subsidies

Applicable Not applicable

Other descriptions:

62. Others

VIII. Changes of Consolidation Scope

1. Changes of consolidation scope for other reasons

Describe the changes of the consolidation scope (e.g. new subsidiaries, liquidation subsidiaries) caused by other reasons and the relevant information:

(1) Newly established subsidiaries in the current period:

In June 2021, the Company jointly invested with Inspur Group Co., Ltd. to establish Inspur (Shandong) Computer Technology Co., Ltd. with a registered capital of RMB 100 million. The Company invested RMB 65 million, holding 65% of the shares, while Inspur Group Co., Ltd. invested RMB 35 million, holding 35% of the shares.

(2) Cancellation of subsidiaries in the current period: None.

IX. Equity in Other Entities

1. Equity in subsidiaries

(1) Compositions of conglomerate

Subsidiary name	Main place of business	Registered address	Business nature	Shareholding ratio		Acquisition mode
				Direct	Indirect	
Inspur (Beijing) Electronic Information Industry Co., Ltd.	Beijing	Beijing	Sales of computer software, hardware and auxiliary equipment	100.00%		Combination
Beijing Inspur Anda Technology Investment Co., Ltd.	Beijing	Beijing	Construction of science and technology parks and asset management; Investment in high-tech industries	100.00%		Establishment
Shenzhen Tianhecheng Industrial Development Co., Ltd.	Shenzhen	Shenzhen	Import and export of goods	100.00%		Combination
Inspur Electronic Information (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Technology development, consulting, introduction and exchange, import and export trade, foreign investment business	100.00%		Establishment
Inspur (Hong Kong) Electronics Co., Ltd.	Hong Kong	Hong Kong	Trading of CPUs and other electronic components		100.00%	Combination
Inspur Information (Hong Kong) International Co., Ltd.	Hong Kong	British Virgin Islands	Foreign investment		100.00%	Establishment
Inspur Systems, Inc.	The United States	The United States	R&D, production and sales of servers		100.00%	Establishment
Jinan Oriental Joint Technology Development Co., Ltd.	Jinan	Jinan	Property lease, and property management	100.00%		Combination
Shandong Yingxin Computer Technology Co., Ltd.	Jinan	Jinan	Technology development, production, and sales of computer software and hardware; foreign investments with its proprietary capital		100.00%	Establishment

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Zhengzhou Yunhai Information Technology Co., Ltd.	Zhengzhou	Zhengzhou	Technology development and sales of computer software and hardware		100.00%	Establishment
Shandong Inspur Import and Export Co., Ltd.	Jinan	Jinan	Import and export of goods and technologies	100.00%		Establishment
Guangdong Inspur Intelligent Computing Technology Co., Ltd.	Guangdong	Guangzhou	Servers, storage, and big data related products	100.00%		Establishment
Dingtian Shenghua (Beijing) Software Technology Co., Ltd.	Beijing	Beijing	Database and middleware	50.96%		Combination
Jinan Inspur Yunhai Computer Technology Co., Ltd.	Jinan	Jinan	Sales and maintenance of computer software and hardware; Import and export of goods and technologies	100.00%		Establishment
Guizhou Inspur Yingxin Technology Co., Ltd.	Guizhou	Guizhou	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Qingdao) Electronic Information Industry Co., Ltd.	Qingdao	Qingdao	Development and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
InspurAssetHoldings, Inc	The United States	The United States	Server manufacturing, and real estate investment		100.00%	Establishment
InspurHungaryKFT	Hungary	Hungary	Manufacturing, distribution, direct sales of electronic products such as computers, etc.		100.00%	Establishment
Inspur Power Commercial Systems Co., Ltd.	Jinan	Jinan	Development, production and sales of computer software, hardware and auxiliary equipment	51.00%		Establishment
Shaanxi Inspur Yingxin Technology Co., Ltd.	Xi'an	Xi'an	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Shanxi Inspur Electronic Information Industry Co., Ltd.	Taiyuan	Taiyuan	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Anhui Inspur Electronic Information Industry Co., Ltd.	Hefei	Hefei	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Tianjin) Electronic Information Technology Co., Ltd.	Tianjin	Tianjin	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Suzhou Inspur Intelligent Technology Co., Ltd.	Suzhou	Suzhou	R&D, production, and sales of computer software, hardware, and electronic components	100.00%		Establishment
Inspur (Xiamen) Computer Technology Co., Ltd.	Xiamen	Xiamen	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Guiyang Inspur Intelligent Technology Co., Ltd.	Guiyang	Guiyang	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment

Dongsheng Technology Information Co., Ltd.	Hong Kong	British Virgin Islands	Foreign investment		100.00%	Establishment
Inspur (Nanning) Computer Technology Co., Ltd.	Nanning	Nanning	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Changchun) Computer Technology Co., Ltd.	Changchun	Changchun	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Beijing) Computer Technology Co., Ltd.	Beijing	Beijing	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Chengdu) Computer Technology Co., Ltd.	Chengdu	Chengdu	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Yunnan Inspur Computer Technology Co., Ltd.	Kunming	Kunming	Development, production and sales of computer software, hardware and auxiliary equipment		75.00%	Establishment
Fuzhou Inspur Computer Technology Co., Ltd.	Fuzhou	Fuzhou	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Jinan) Computer Technology Co., Ltd.	Jinan	Jinan	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Zhengzhou) Computer Technology Co., Ltd.	Zhengzhou	Zhengzhou	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd.	Quzhou	Quzhou	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Electronic Channel Limited	Hong Kong	Hong Kong	Trade		100.00%	Establishment
Electronic Supply Chain Limited	Hong Kong	Hong Kong	Trade		100.00%	Establishment
Inspur (Shandong) Computer Technology Co., Ltd.	Jinan	Jinan	Sales of computer software, hardware and auxiliary equipment	65.00%		Establishment

Description that the shareholding ratio in the subsidiary is different from the voting right proportion:

N/A

Basis of controlling the investee with half or below voting rights, or basis of not controlling the investee with above half voting rights:

N/A

For important structured entities that are included into the consolidation scope, the basis for control is:

N/A

Basis for determining whether the Company is an agent or a principal:

N/A

N/A

Other descriptions:

(2) Important non-wholly owned subsidiaries

Unit: RMB

Subsidiary name	Shareholding ratio of minority shareholders	Profits and losses belonging to minority shareholders in the current period	Dividends announced and distributed to minority shareholders in current period	Closing balance of minority equity
Inspur Power Commercial Systems Co., Ltd.	49.00%	27,493,310.84	38,783,124.20	361,059,128.04

Description that the shareholding ratio of minority shareholders in the subsidiary is different from the voting right proportion:

N/A.

Other descriptions:

(3) Main financial information of important non-wholly owned subsidiaries

Unit: RMB

Subsidiary name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Inspur Power Commercial Systems Co., Ltd.	1,359,192,474.97	54,280,459.57	1,413,472,934.54	676,617,571.55	0.00	676,617,571.55	1,615,873,345.89	60,690,326.03	1,676,563,671.92	916,667,873.50	0.00	916,667,873.50

Unit: RMB

Subsidiary name	Accrual in the current period				Accrual in the previous period			
	Operating income	Net profit	Total comprehensive incomes	Cash flow generated from operating activities	Operating income	Net profit	Total comprehensive incomes	Cash flow generated from operating activities
Inspur Power Commercial Systems Co., Ltd.	958,751,079.12	56,108,797.64	56,108,797.64	49,748,432.32	1,493,681,277.80	87,943,592.30	87,943,592.30	377,041,229.17

Other descriptions:

2. Equity in joint-operation arrangement or associated enterprise

(1) Important joint venture or associated enterprise

Name of joint venture or associated enterprise	Main place of business	Registered address	Business nature	Shareholding ratio		Accounting treatment method of the investment to joint venture or associated enterprise
				Direct	Indirect	
Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	Jinan	Jinan	Information industry investment	33.33%		Equity method
Jinan Inspur High-tech Investment Development Co., Ltd.	Jinan	Jinan	Investment in high-tech industries	40.00%		Equity method
TUNGKONG INC.	Jinan	Jinan	Printing and record medium reproduction industry	3.57%		Equity method
Shandong SinoChip Semiconductors Co., Ltd.	Jinan	Jinan	Computer, communications and other electronic equipment manufacturing industry	10.00%		Equity method
Shandong Huaxin Youchuang Technology Co., Ltd.	Jinan	Jinan	Software and information technology service industry	10.00%		Equity method

Description of shareholding ratio in joint ventures or associated enterprises different from voting right proportion:

N/A

Basis of having significance with 20% below voting rights, or having no significance with 20% or above voting rights:

1) The Company holds 3.566% of the equity in TUNGKONG INC., and has appointed one director and one supervisor to it. Therefore, the Company still has significant influence over it.

2) The Company holds 10.00% equity in Shandong SinoChip Semiconductors Co., Ltd. and Shandong Huaxin Youchuang Technology Co., Ltd., and has appointed three directors and two supervisors to them. Therefore, the Company still has significant influence on them.

(2) Main financial information of important joint venture

Unit: RMB

	Ending balance/accrual in the current period	Beginning balance/accrual in the previous period
	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.
Current assets	171,120,656.25	164,829,923.23
Including: Cash and cash equivalents	47,303,970.04	40,173,579.37
Non-current assets	170,456,510.61	165,952,073.14
Total assets	341,577,166.86	330,781,996.37
Current liabilities	72,945,752.80	60,267,494.21
Non-current liabilities	40,370.66	1,667,879.83
Total liabilities	72,986,123.46	61,935,374.04
Minority equity	13,430,061.12	13,611,042.92
Owners' equities attributable to the parent company	255,160,982.28	255,235,579.41
Net asset share calculated in shareholding ratio	85,053,660.77	85,078,526.48
Adjustment item		
- Goodwill		
- Unrealized profits of internal transaction		
- Others		
Book value of equity investment in joint ventures	85,053,660.77	85,078,526.48
Fair value of the equity investment in the joint venture with public offerings		
Operating income	329,794,367.83	160,182,745.13
Financial expenses	-631,127.97	-523,467.32
Income tax expenses	820,861.98	795,612.68
Net profit	784,421.07	5,017,060.77
Net profit from discontinuing operation		
Other comprehensive incomes		
Total comprehensive incomes	784,421.07	5,017,060.77
Dividends received from joint ventures in the current year		

Other descriptions

(3) Main financial information of important associated enterprise

Unit: RMB

	Ending balance/accrual in the current period				Beginning balance/accrual in the previous period			
	Jinan Inspur High-tech Investment Development Co., Ltd.	TUNGKONG INC.	Shandong SinoChip Semiconductors Co., Ltd.	Shandong Huaxin Youchuang Technology Co., Ltd.	Jinan Inspur High-tech Investment Development Co., Ltd.	TUNGKONG INC.	Shandong SinoChip Semiconductors Co., Ltd.	Shandong Huaxin Youchuang Technology Co., Ltd.
Current assets	376,346,591.58	1,273,905,080.28	79,231,373.83	94,246,355.07	370,384,797.14	1,321,521,975.74	74,994,763.39	93,785,881.28
Non-current assets	18,509,610.64	937,943,741.89	4,614,575.72	2,147,151.12	19,936,205.35	965,847,826.64	5,708,524.97	34,792,544.77
Total assets	394,856,202.22	2,211,848,822.17	83,845,949.55	96,393,506.19	390,321,002.49	2,287,369,802.38	80,703,288.36	128,578,426.05
Current liabilities	6,212,801.89	592,309,136.49	10,490,995.21	51,449,949.51	6,411,682.71	672,755,127.63	14,566,024.81	57,740,560.11
Non-current liabilities		37,058,693.00	13,520,000.00			27,542,111.15	6,170,000.00	
Total liabilities	6,212,801.89	629,367,829.49	24,010,995.21	51,449,949.51	6,411,682.71	700,297,238.78	20,736,024.81	57,740,560.11
Minority equity		15,352,828.72				3,299,599.03		
Owners' equities attributable to the parent company	388,643,400.33	1,567,128,163.96	59,834,954.34	44,943,556.68	383,909,319.78	1,583,772,964.57	59,967,263.55	70,837,865.94
Net asset share calculated in shareholding ratio	155,457,360.13	55,883,761.81	5,983,495.43	4,494,355.67	153,563,727.92	56,477,308.97	5,996,726.35	7,083,786.59
Adjustment item								
- Goodwill								
- Unrealized profits of internal transaction								
- Others								

Book value of equity investment in associated enterprises	155,457,360.13	55,883,761.81	5,983,495.43	4,494,355.67	153,563,727.92	56,477,308.97	5,996,726.35	7,083,786.59
Fair value of the equity investment in the associated enterprise with public offerings								
Operating income	36,885,100.80	1,200,941,510.94	96,226,203.64	3,879,258.75	41,392,070.81	1,180,859,259.81	66,418,941.08	9,968.00
Net profit	4,734,080.55	188,674,997.48	856,455.89	-18,194,908.86	-6,287,477.12	164,626,312.87	-10,235,707.75	-830,865.47
Net profit from discontinuing operation								
Other comprehensive incomes								
Total comprehensive incomes	4,734,080.55	188,674,997.48	856,455.89	-18,194,908.86	-6,287,477.12	164,626,312.87	-10,235,707.75	-830,865.47
Dividends received from associated enterprises in the current year		7,783,304.80				7,783,304.80		

Other descriptions

X. Risks Related to Financial Instruments

Various financial risks coped by the Company in the operation process: credit risk, market risk and liquidity risk. The Company's management takes full responsibility for recognition of risk management target and policy and undertakes the ultimate responsibility for risk management objectives and policies. The management will review effectiveness of executed procedures and reasonability of risk management objectives and policies based on monthly report submitted by functional departments. Internal auditors of the Company shall also audit the risk management policies and procedures and shall report relevant discovery to the audit committee. The overall objective of the risk management of the Company is to formulate risk management policy that shall reduce the risk as much as possible under the situation that the competitiveness and response ability of the Company shall not be affected significantly.

1. Credit risk

Credit risk refers to risk that one party of financial instrument does not perform the obligation, so that the other party encounters financial loss. The Company mainly copes with credit risks of the customer due to selling on credit. Before signing the new contract, the Company will have a new customer's credit risk assessment, including external credit ratings and bank reference letter in certain circumstances (when the information is available). The Company sets a credit limit for each customer, which is the maximum amount that does not require additional approvals.

The Company quarterly monitors the credit rating and monthly audits the accounts receivable account age analysis of the Company's existing customers to ensure that the Company's overall credit risk within the controllable range. When monitoring the customer's credit risk, group them according to the customer's credit features. If the customer is rated as "high risk" level, the customer shall be placed in a restricted customer list, and only under the premise of additional approval of the Company in the next period before their credit, or the customer must pay the corresponding amount of its requirements in advance.

2. Liquidity risk

Liquidity risk refers to the risk of capital shortage generated when the Company performs the obligation of settlements by the delivery of cash or other financial assets. The policy of the Company is to ensure sufficient cash to repay the matured debts. The liquidity risk is under the centralized control of the Company's Finance Department. The Finance Department ensures that the Company owns sufficient capitals to repay debts under all reasonable predictions by monitoring the cash balance, negotiable securities that can be realized at any time and rolling predicting the cash flow of the future 12 months.

XI. Disclosure of Fair Value

1. Period-end fair value of assets and liabilities measured at the fair value

Unit: RMB

Item	Fair value at the end of the period			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Trading financial assets		400,068,219.18		400,068,219.18
1. Financial assets measured at the fair value with the changes included into the current profits and losses		400,068,219.18		400,068,219.18
(II) Receivables financing				
Notes receivable measured at fair value with changes included in other comprehensive incomes			263,818,771.47	263,818,771.47

Accounts receivable measured at fair value with changes included in other comprehensive incomes			18,318,958.03	18,318,958.03
Total assets continuously measured at the fair value		400,068,219.18	282,137,729.50	682,205,948.68
Derivative financial liabilities		3,016,539.09		3,016,539.09
Total liabilities continuously measured at the fair value		3,016,539.09		3,016,539.09
II. Non-continuous fair value measurement	--	--	--	--

2. Basis of determining the market price of continuous and non-continuous level 1 fair value measurement items

Financial assets measured at the fair value with the changes included into the current profits and losses are bank financial products purchased by the Company, while trading financial liabilities are interest rate swap contracts purchased by subsidiaries. The Company believes that the fair value estimated using valuation techniques is reasonable and also the most appropriate value on the balance sheet date.

3. For continuous and non-continuous level 2 fair value measurement item, valuation technique adopted and quantitative and qualitative information of important parameters

Financial assets measured at the fair value with the changes included into the current profits and losses are bank financial products purchased by the Company, while trading financial liabilities are interest rate swap contracts purchased by subsidiaries. The Company believes that the fair value estimated using valuation techniques is reasonable and also the most appropriate value on the balance sheet date.

4. For continuous and non-continuous level 3 fair value measurement item, valuation technique adopted and quantitative and qualitative information of important parameters

For notes receivable measured at the fair value with the changes included into other comprehensive incomes, they are accepted by banks with higher credit ratings, with minimal credit risk and deferred payment risk, and a low likelihood of loss. The recoverable amount is generally determined, and the fair value is determined using the face value.

For accounts receivable measured at the fair value with the changes included into other comprehensive incomes, they are accounts receivable for factoring operations. The recoverable amount is generally determined, and the fair value is determined using the book balance.

5. For continuous level 3 fair value measurement item, adjustment of the book value between the beginning and the end of the period and the sensitivity analysis of unobservable parameters

6. For continuous fair value measurement items, in case of transfer between different levels in the current period, the reasons for the transformation and the policy to determine the transition point

During the reporting period, the Company did not have any ongoing fair value measurement items that occurred between different levels of conversion

7. Changes in valuation technique in the current period and the reasons

8. Fair value of the financial assets and liabilities not measured at fair value

The Company's financial assets and liabilities not measured at fair value mainly include: monetary capitals, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, and other payables. The difference between the book value and fair value of financial assets and liabilities not measured at fair value is very small.

9. Others**XII. Related Parties and Related-party Transactions****1. Parent company of the Company**

Parent company name	Registered address	Business nature	Registered capital	Shareholding ratio of parent company to the Company	Voting right proportion of parent company to the Company
Inspur Group Co., Ltd.	Jinan, Shandong	Electronic information industry	RMB 1,024,376,735	36.12%	36.12%

Description on the parent company of the Company

The ultimate controlling party of the Company is Shandong Provincial State-owned Assets Supervision and Administration Commission.

Other descriptions:

2. Parent company of the Company

For the details of subsidiary, refer to "Note IX. 1. Equity in Subsidiaries".

3. Joint ventures and associated enterprises of the Company

For important joint ventures or associated enterprise, refer to "Note IX. 2. Equity in Joint-operation Arrangement or Associated Enterprise".

Conditions of other joint ventures or associated enterprises that has formed balance in the related-party transaction with the Company in the current period, or the related-party transaction in the previous period is as follows:

Name of joint venture or associated enterprise	Relationship with the Company
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Other descriptions

4. Other related parties

Names of other related parties	Relationship of other related parties with the Company
Branch of Inspur Electronic Information Industry Co., Limited	Under the control of Inspur Group together with the Company
First Head Ltd.	Under the control of Inspur Group together with the Company
Global Information Technology Services Co., Ltd.	Under the control of Inspur Group together with the Company
High Fast Ltd.	Under the control of Inspur Group together with the Company
Inspur (HK) Cloud Service Limited	Under the control of Inspur Group together with the Company
Inspur (HK) Service Ltd.	Under the control of Inspur Group together with the Company
Inspur (THAILAND) Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur (UK) Co., Limited	Under the control of Inspur Group together with the Company

Inspur Cheeloo Overseas Investment And Development Co., Limited	Under the control of Inspur Group together with the Company
Inspur Cloud Computing Investment Limited	Under the control of Inspur Group together with the Company
Inspur Digital Limited	Under the control of Inspur Group together with the Company
Inspur Electronics (HK) Limited	Under the control of Inspur Group together with the Company
Inspur Electronics Limited	Under the control of Inspur Group together with the Company
Inspur Germany GmbH	Under the control of Inspur Group together with the Company
Inspur Global Information Engineering Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Global Services Ltd.	Under the control of Inspur Group together with the Company
Inspur Italia S.R.L.	Under the control of Inspur Group together with the Company
Inspur Japan Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Japan	Under the control of Inspur Group together with the Company
Inspur Korea Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Odoo Limited (HK)	Under the control of Inspur Group together with the Company
Inspur Overseas Investment Co., Limited	Under the control of Inspur Group together with the Company
Inspur Ru Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Technologies (India) Pvt. Ltd.	Under the control of Inspur Group together with the Company
Inspur Technology Business Co.s Ltd.	Under the control of Inspur Group together with the Company
Inspur Technology Ltd.	Under the control of Inspur Group together with the Company
Inspur USA Inc.	Under the control of Inspur Group together with the Company
Inspur Worldwide Ltd.	Under the control of Inspur Group together with the Company

Inspur Worldwide Services Ltd.	Under the control of Inspur Group together with the Company
Intersource Technology Limited	Under the control of Inspur Group together with the Company
Langchao Worldwide Service Ltd.	Under the control of Inspur Group together with the Company
Marvel Opinion Limited	Under the control of Inspur Group together with the Company
Popular Vision Limited	Under the control of Inspur Group together with the Company
PT. Inspur Technology Indonesia	Under the control of Inspur Group together with the Company
Shine Victory International Limited	Under the control of Inspur Group together with the Company
Smarterland Limited	Under the control of Inspur Group together with the Company
Timeone Technology Ltd.	Under the control of Inspur Group together with the Company
VENEZO LANADE INDUSTRIA TECNOLOGICA, C.A.	Significant influence from the controlling shareholder of the Company
Alashankou Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Ericsson Inspur Communication Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Anhui Inspur Sincere Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Baise Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Baofeng Inspur Smart City Operation Service Co., Ltd.	Under the control of Inspur Group together with the Company
Baoding Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Beidahuang Inspur Information Co., Ltd.	Significant influence from the controlling shareholder of the Company
Beijing Inspur Jiaxin Computer Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Beijing Inspur Jingmeiyun Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Beijing Inspur Data Technology Co., Ltd.	Under the control of Inspur Group together with the Company

Beijing Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Metarnet TECHNOLOGIES Co., Ltd.	Under the control of Inspur Group together with the Company
Beijing Tianyuan Innovation Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Beijing Tongruan Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Beijing Yuanshuo Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Bozhou Qida Park Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Chengdu Inspur Yunchuang Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Chengdu Inspur Cloud Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company
Chifeng Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Deyang Inspur Yunhai Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Dezhou Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Diebold Financial Equipment Co., Ltd.	Under the control of Inspur Group together with the Company
Enshi Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Foshan Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Fujian Nanping Smart City Big Data Operation Co., Ltd.	Under the control of Inspur Group together with the Company
Fuzhou Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Fuyang Inspur Cloud Computing Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Gansu Inspur Ruihui Big Data Service Co., Ltd.	Significant influence from the controlling shareholder of the Company
Golmud Digital Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company
Guangdong Inspur Software Co., Ltd.	Under the control of Inspur Group together with the Company

Guangdong Yunwan Industrial Internet Co., Ltd.	Under the control of Inspur Group together with the Company
Guangxi Baise Smart City Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Guangxi Healthcare Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Guangxi Inspur Cloud Computing Service Co., Ltd.	Under the control of Inspur Group together with the Company
Guangxi Digital Inspur Data Service Co., Ltd.	Under the control of Inspur Group together with the Company
Guiyang Ruida Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Guizhou Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Hainan Dongfang Tongda Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Hainan Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Hainan Inspur Park Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Handan Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Hanzhong Inspur Smart City Construction and Operation Co., Ltd.	Under the control of Inspur Group together with the Company
Hefei Inspur Cloud Intelligence Park Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Hebei Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Hechi Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Hechi Inspur Smart City Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Henan Yunhai Data Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Heze Inspur City Investment Smart City Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Hezhou Inspur Intelligent Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Hebi Inspur Digital Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company

Heilongjiang Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Hunan Inspur Healthcare Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Hunan Inspur Cloud Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Hunan Inspur Cloud Investment Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Hunan Inspur Intelligent Investment Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Huate Digital Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Huanggang Inspur Smart City Construction and Operation Co., Ltd.	Under the control of Inspur Group together with the Company
Huifu Co., Ltd.	Under the control of Inspur Group together with the Company
Huizhong IOT Hong Kong Technology Limited	Under the control of Inspur Group together with the Company
Jilin Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Hexu Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Hengyuan Property Management Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Huanlecheng Technology Development Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Huiyuan Industrial Park Development Co., Ltd.	Significant influence from the controlling shareholder of the Company
Jinan Jingzhen Electronic Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Kechao Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Big Data Investment Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Dingda Information Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Fangzhi Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	Under the control of Inspur Group together with the Company

Jinan Inspur Heda Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Huida Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Huitou Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Computer Technology Development Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Jianhui Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Jindi Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Kaiyuan Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Kangda Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Technology Development Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Leading Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Mingda Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Mingda Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Qianhui Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Renda Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Data Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Digital Investment Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Digital Communication Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Tongda Investment Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Network Technology Development Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Micro Computer Consulting Service Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Wireless Communication Co., Ltd.	Under the control of Inspur Group together with the Company

Jinan Inspur System Software Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur New Road Education Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Medical Investment Partnership (Limited Partnership)	Under the control of Inspur Group together with the Company
Jinan Inspur Yuantong Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Yueda Investment Management Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Intelligent Investment Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Zhiying Collaborative Digital Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Zhuoyuan Network Service Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Mingzhu Huali Real Estate Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Qiyi Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Quanda Investment Development Co., Ltd.	Significant influence from the controlling shareholder of the Company
Jinan Quanzhong Information Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Jinan Shitou Network Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Xinshun Electronic Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Yangze Computer Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Yunhai Venture Capital Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Zhanting Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Inspur Big Data Investment Co., Ltd.	Significant influence from the controlling shareholder of the Company
Jiamusi Inspur Cloud Computing Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jiangmen Inspur Cloud Service Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company

Jiangsu Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jiangxi Inspur Venture Capital Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Jiangxi Inspur Big Data Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company
Jiangxi Inspur Zhaogu Cloud Computing Service Co., Ltd.	Under the control of Inspur Group together with the Company
Jiaozuo Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Jinhua Inspur Yunanda Smart City Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinzhou Inspur Software Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jinzhong Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Jiuquan Inspur Cloud Computing Service Co., Ltd.	Under the control of Inspur Group together with the Company
Karamay Inspur Cloud Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Kunming Inspur Cloud Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur (Binzhou) Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur (Qingdao) Technology Group Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur (Qingdao) Intelligent Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur (Xiamen) Electronic Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur (Shandong) Electronic Information Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur (Tianjin) Data Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur (Zhengzhou) Industrial Development Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur International Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Hailian Yimao (Shandong) Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company

Inspur Overseas Investment Development Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Bohai Rim (Yingkou) Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Group Finance Limited	Under the control of Inspur Group together with the Company
Inspur Financial Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Global Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Software Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Software Group Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Software Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Digital Service Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Worldwide (Seattle) Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Cisco Network Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Tianyuan (Qingdao) Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Communication Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Communication Information System Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Common Software Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Weihai Overseas Service Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Youpai (Weihai) Education Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Inspur Cloud (Xiamen) Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Yunhai (Qingdao) Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Cloud (Guizhou) Technology Co., Ltd.	Under the control of Inspur Group together with the Company

Inspur Cloud Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Zhuoshu Big Data Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company
Liangshan Inspur Yunhai Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Liaoning Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Liaocheng Inspur Electronic Information Co., Ltd.	Under the control of Inspur Group together with the Company
Linyi Inspur Smart City Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Loudi Inspur Yunchuang Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Lvliang Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Manchuria Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Mudanjiang Inspur Digital Investment Development Co., Ltd.	Under the control of Inspur Group together with the Company
Mudanjiang Inspur Yunhai Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Nanjing Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Nanning Inspur Yunchuang Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Nanping Inspur Cloud Computing Service Co., Ltd.	Under the control of Inspur Group together with the Company
Inner Mongolia Healthcare Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Inner Mongolia Inspur Big Data Industry Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Inner Mongolia Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inner Mongolia Zhenglian Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Panzhuhua Inspur Smart City Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Qiqihar Inspur Cloud Computing Service Co., Ltd.	Under the control of Inspur Group together with the Company

Qiannan Inspur Cloud Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Qingdao Inspur Education Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Qingdao Inspur Park Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Qingdao Smart City Big Data Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Qingdao Zhongguang Yunlian Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Qinghai Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Rizhao Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Ruzhou Inspur Cloud Service Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Xiamen Information Technology Applied Innovation Research Institute Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Aicheng Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Chengtai Cableway Development Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Port Technology Group Co., Ltd	Significant influence from the controlling shareholder of the Company
Shandong Guoshuai Health Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Huaguang Optoelectronics Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Witdom Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shandong Hui'an Health Medical Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Huimao Electronic Port Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Huitong Financial Leasing Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shandong Huizhong Venture Capital Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Healthcare Big Data Co., Ltd.	Under the control of Inspur Group together with the Company

Shandong Blue Cloud Information Fund Management Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Ultra HD Intelligent Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Innovation and Entrepreneurship Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur E-government Software Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Industrial Internet Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Photoelectric Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Huaguang Optoelectronics Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Huicai Investment Holding Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Huixiang Cloud Computing Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Huizhong Industry Development Investment Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Integrated Electronic Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Jiantong Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Financial Software Information Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Science Park Investment Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Scientific Research Institute Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Paisheng Network Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Artificial Intelligence Research Institute Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Software Network Engineering Technology Co., Ltd.	Under the control of Inspur Group together with the Company

Shandong Inspur Senya Network Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Commercial System Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Digital Media Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Digital Energy Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Tongruan Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Communication System Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Investment Management Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur New Infrastructure Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur New Century Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Medical Big Data Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Yiyun Online Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Youpai Technology Education Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shandong Inspur Yunchuang Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Yunke Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Cloud Network Information System Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Quality Chain Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Zhiye Healthcare Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Inspur Zhuyuan Education Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Mingzhu Huating Real Estate Co., Ltd.	Under the control of Inspur Group together with the Company

Shandong Mingzhu Huayang Real Estate Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Mingzhu Construction Project Management Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Mingzhu Shijia Real Estate Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Saibao Electronic Information Engineering Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Saibao Information Technology Consulting Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shandong Future Group Co., Ltd.	Others
Shandong Xinguang Optoelectronic Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong New Generation Information Industry Technology Research Institute Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Xinyuan Yitong Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Yunman Import and Export Co., Ltd.	Under the control of Inspur Group together with the Company
Shandong Zhongyin Service Outsourcing Training School	Significant influence from the controlling shareholder of the Company
Shanxi Inspur Cloud Computing Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shanghai Inspur Data Service Co., Ltd.	Under the control of Inspur Group together with the Company
Shanghai Inspur Tongruan Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shanghai Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shanghai Inspur Cloud Computing Service Co., Ltd.	Under the control of Inspur Group together with the Company
Shanghai Yueran Venture Capital Management Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shenzhen Inspur HCM Cloud Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Shenyang Inspur Big Data Innovation Application Co., Ltd.	Under the control of Inspur Group together with the Company
Digital Cloud Limited	Under the control of Inspur Group together with the Company

Sichuan Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Sichuan Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Siping Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Suzhou Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Suzhou Inspur Intelligent Software Co., Ltd.	Under the control of Inspur Group together with the Company
Suzhou Sicui Industrial Internet Technology Research Institute Co., Ltd.	Under the control of Inspur Group together with the Company
Tacheng Inspur Cloud Computing Service Co., Ltd.	Under the control of Inspur Group together with the Company
Taizhou Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Tengzhou Inspur Big Data Industry Co., Ltd.	Under the control of Inspur Group together with the Company
Tianjin Healthcare Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Tianjin Inspur Smart City Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Tianshui Inspur Cloud Computing Industry Development Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Tianshui Inspur Cloud Computing Operation Co., Ltd.	Under the control of Inspur Group together with the Company
Tianyuan Big Data Credit Management Co., Ltd.	Under the control of Inspur Group together with the Company
Weifang Huaguang Optoelectronics Co., Ltd.	Under the control of Inspur Group together with the Company
Weifang Cloud Computing Center (Inspur) Construction Management Co., Ltd.	Under the control of Inspur Group together with the Company
Wuhai Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Wuxi Inspur Worldwide Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Wuxi Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Xi'an Inspur Yunchuang Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Xinzhou Inspur Cloud Computing Technology Co., Ltd.	Under the control of Inspur Group together with the Company

Xing'anmeng Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Suzhou Inspur Cloud Computing Service Co., Ltd.	Under the control of Inspur Group together with the Company
Xuzhou Inspur Digital Service Co., Ltd.	Under the control of Inspur Group together with the Company
Yantai Inspur Park Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Yantai Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Yantai Inspur Smart City Operation Co., Ltd.	Under the control of Inspur Group together with the Company
Yibin Inspur Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Yuantong Software Co., Ltd.	Under the control of Inspur Group together with the Company
Yunnan Energy Investment Inspur Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Yunshang Shenzhou Inspur Guochuang Big Data Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company
Zaozhuang Inspur Cloud Computing Co., Ltd.	Under the control of Inspur Group together with the Company
Zhanjiang Inspur Smart City Construction and Operation Co., Ltd.	Under the control of Inspur Group together with the Company
Zhangjiajie Inspur Cloud Computing Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Zhangjiakou Inspur Government Cloud Construction and Operation Co., Ltd.	Under the control of Inspur Group together with the Company
Changzhi Inspur Yunhai Cloud Computing Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Zhengzhou Hualiang Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Zhengzhou Inspur Data Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Zhiyou Limited	Under the control of Inspur Group together with the Company
Wisdom Spring City Intelligent Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Zhongcai Inspur Equity Investment Fund Management Co., Ltd.	Significant influence from the controlling shareholder of the Company

Chongqing Inspur Cloud Chain Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Chongqing Inspur Government Cloud Management and Operation Co., Ltd.	Under the control of Inspur Group together with the Company
Chongqing Quantian Boyuan Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Chongqing Yunjiang Industrial Internet Co., Ltd.	Under the control of Inspur Group together with the Company
Zhoukou Inspur Digital Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company
Zhuozhou Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Zibo Inspur Chuanggu Park Operation Management Co., Ltd.	Under the control of Inspur Group together with the Company
Zibo Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Zunyi Inspur Digital Investment Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Beijing Inspur IoT Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Fuzhou Inspur Cloud Computing Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Haibei Inspur Cloud Intelligence Information Service Co., Ltd.	Under the control of Inspur Group together with the Company
Henan Inspur Big Data Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company
Jinan Gansong Electronic Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Chengfeng (Shandong) Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Worldwide (Qingdao) Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Tianyuan Credit (Wuxi) Co., Co., Ltd.	Under the control of Inspur Group together with the Company
Inspur Xiongan Cloud Chain Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Qingdao Kehua Consulting Management Co., Ltd.	Under the control of Inspur Group together with the Company
Sanming Inspur Cloud Computing Technology Co., Ltd.	Under the control of Inspur Group together with the Company

Xiamen Inspur Healthcare Big Data Co., Ltd.	Under the control of Inspur Group together with the Company
Shanghai Inspur Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Tianjin Huida Information Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Wuxi Inspur Big Data Industry Investment Co., Ltd.	Under the control of Inspur Group together with the Company
Xiaogan Inspur Cloud Computing Service Co., Ltd.	Under the control of Inspur Group together with the Company
Xinjiang Inspur Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Yanbian Inspur Technology Co., Ltd.	Under the control of Inspur Group together with the Company
Chongqing Inspur Big Data Industry Development Co., Ltd.	Under the control of Inspur Group together with the Company

Other descriptions

5. Related-party transaction**(1) Related-party transaction of purchasing and selling goods, providing and accepting labor services**

Goods procurement/labor service acceptance

Unit: RMB

Related party	Content of related-party transaction	Accrual in the current period	Amount of approved transaction	Whether it has exceeded the transaction amount	Accrual in the previous period
Jinan Inspur Data Technology Co., Ltd.	Purchasing goods and accepting labor services	29,566,994.98	30,000,000.00	No	70,232,605.43
Shandong SinoChip Semiconductors Co., Ltd.	Purchasing goods and accepting labor services	66,021,596.37	70,000,000.00	No	38,010,826.34
Digital Cloud Limited	Acceptance of labor services	141,390,320.00	145,000,000.00	No	139,495,117.28
Inspur Cisco Network Technology Co., Ltd.	Purchase of goods	57,312,781.95		No	63,346,820.56
Metarnet TECHNOLOGIES Co., Ltd.	Purchasing goods and accepting labor services	53,450.12		No	4,574,658.28
Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	Acceptance of labor services	1,504,791.50		No	1,244,378.93
Jinan Inspur Mingda Information Technology Co., Ltd.	Purchasing goods and accepting labor services	789,090.77		No	1,594,170.34
Jinan Inspur System Software Co., Ltd.	Purchase of goods	140,683.19		No	41,946.90
Inspur (Qingdao) Technology Group Co., Ltd.	Purchase of goods			No	3,323.84
Inspur Group Co., Ltd.	Purchasing goods and accepting labor services	5,976,662.40		No	12,336,856.52
Inspur Software Co., Ltd.	Acceptance of labor services	519,729.13		No	6,130,230.24
Inspur Software Group Co., Ltd.	Purchasing goods and accepting labor services	10,758,297.45		No	5,014,703.18

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Inspur Software Technology Co., Ltd.	Acceptance of labor services	6,628,277.91		No	392,133.49
Shandong Inspur Digital Service Co., Ltd.	Purchasing goods and accepting labor services	4,626,552.06		No	898,756.59
Inspur Common Software Co., Ltd.	Acceptance of labor services	11,027,721.09		No	7,772,654.87
Inspur Cloud Technology Co., Ltd.	Acceptance of labor services	16,334,522.00		No	16,646,336.28
Inspur Zhuoshu Big Data Industry Development Co., Ltd.	Purchase of goods	105,502.52		No	228,849.56
Shandong Aicheng Information Technology Co., Ltd.	Acceptance of labor services	88,495.58		No	166,371.68
Shandong Healthcare Big Data Co., Ltd.	Purchasing goods and accepting labor services	1,583,304.70		No	33,378.31
Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	Purchasing goods and accepting labor services	18,473,942.49		No	11,643,946.69
Shandong Inspur E-government Software Co., Ltd.	Acceptance of labor services	427,846.70		No	212,264.15
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Purchasing goods and accepting labor services	6,660,522.50		No	12,699,159.50
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Acceptance of labor services	5,357,343.79		No	566,037.72
Shanghai Inspur Information Technology Co., Ltd.	Acceptance of labor services	52,323,379.38		No	33,647,076.79
Yunnan Energy Investment Inspur Technology Co., Ltd.	Acceptance of labor services	36,159,233.73		No	22,656,886.74

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Diebold Financial Equipment Co., Ltd.	Purchase of goods	116,054.72		No	15,024.63
Inspur Communication Information System Co., Ltd.	Purchase of goods			No	600,000.00
Inner Mongolia Inspur Information Technology Co., Ltd.	Acceptance of labor services	13,076,452.11		No	7,849,579.10
Shanghai Inspur Cloud Computing Service Co., Ltd.	Acceptance of labor services	2,368.43		No	
Shandong Inspur New Infrastructure Technology Co., Ltd.	Acceptance of labor services	26,989,142.09		No	
Inspur Industrial Internet Co., Ltd.	Purchasing goods and accepting labor services	5,543,275.98		No	
Inspur (Xiamen) Electronic Technology Co., Ltd.	Purchasing goods and accepting labor services	3,553,991.34		No	
Shandong Mingzhu Shijia Real Estate Co., Ltd.	Acceptance of labor services	2,867,561.66		No	
Inspur Financial Information Technology Co., Ltd.	Purchasing goods and accepting labor services	459,975.15		No	
Inspur Industrial Internet Technology Co., Ltd.	Purchasing goods and accepting labor services	225,425.80		No	
Jinan Inspur Huida Information Technology Co., Ltd.	Purchasing goods and accepting labor services	167,471.12		No	
Xi'an Inspur Yunchuang Information Technology Co., Ltd.	Acceptance of labor services	50,671.70		No	
Beijing Tongruan Technology Co., Ltd.	Acceptance of labor services	6,047.80		No	

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Shandong Inspur Youpai Technology Education Co., Ltd.	Acceptance of labor services	700.00		No	
Jinan Inspur Tongda Investment Co., Ltd.	Purchasing goods and accepting labor services	331,179.96		No	
Other overseas subsidiaries of Inspur Group	Purchasing goods and accepting labor services	31,919,695.99		No	1,094,405.96

Sales of goods/provision of labor services

Unit: RMB

Related party	Content of related-party transaction	Accrual in the current period	Accrual in the previous period
Inspur Software Group Co., Ltd.	Selling goods and providing labor services	531,563,876.52	247,599,227.08
Jinan Inspur Data Technology Co., Ltd.	Sales of goods	492,976,166.34	412,130,738.03
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Sales of goods	456,088,085.15	495,488,360.20
Yunnan Energy Investment Inspur Technology Co., Ltd.	Selling goods and providing labor services	172,472,779.55	4,870,997.75
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Selling goods and providing labor services	136,969,037.29	
Inspur Software Co., Ltd.	Selling goods and providing labor services	58,833,610.60	422,622,149.27
Inspur Group Co., Ltd.	Selling goods and providing labor services	623,581.99	104,023,621.49
Shandong SinoChip Semiconductors Co., Ltd.	Selling goods and providing labor services	966,875.70	3,881,072.00
Metarnet TECHNOLOGIES Co., Ltd.	Sales of goods		734.51
Hainan Inspur Information Technology Co., Ltd.	Sales of goods		4,778.76
Inspur (Qingdao) Technology Group Co., Ltd.	Provision of labor services	5,420.00	16,338.00
Inspur Financial Information Technology Co., Ltd.	Provision of labor services	385,551.55	288,481.18
Inspur Software Technology Co., Ltd.	Selling goods and providing labor services	32,569,883.51	20,558,819.25

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Shandong Inspur Digital Service Co., Ltd.	Sales of goods	9,292.03	1,540.50
Inspur Cisco Network Technology Co., Ltd.	Sales of goods	7,887,095.41	5,778,625.13
Inspur Communication Information System Co., Ltd.	Selling goods and providing labor services	933,455.76	3,334,369.45
Inspur Common Software Co., Ltd.	Selling goods and providing labor services	7,071,922.91	11,947,270.66
Inspur Cloud Technology Co., Ltd.	Provision of labor services	119,761.67	1,731,100.00
Inspur Zhuoshu Big Data Industry Development Co., Ltd.	Provision of labor services	3,198.00	5,361.00
Liaocheng Inspur Electronic Information Co., Ltd.	Sales of goods		4,339.62
Qingdao Smart City Big Data Technology Co., Ltd.	Provision of labor services	14,250.00	4,632.50
Shandong Healthcare Big Data Co., Ltd.	Provision of labor services		3,768.50
Shandong Mingzhu Huating Real Estate Co., Ltd.	Provision of labor services		746.00
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Selling goods and providing labor services	45,431.16	30,178.68
Shanghai Inspur Cloud Computing Service Co., Ltd.	Selling goods and providing labor services	1,123,017.80	24,497.08
Tianjin Healthcare Big Data Co., Ltd.	Sales of goods		9,224,920.35
Tianjin Inspur Smart City Operation Management Co., Ltd.	Sales of goods		8,522,654.87
Inner Mongolia Inspur Information Technology Co., Ltd.	Provision of labor services	3,725.00	22,699.12
Shandong Inspur New Infrastructure Technology Co., Ltd.	Provision of labor services	102,874.60	
Tianyuan Big Data Credit Management Co., Ltd.	Provision of labor services	37,723.00	
Liangshan Inspur Yunhai Technology Co., Ltd.	Sales of goods	8,176.99	
Chongqing Inspur Government Cloud Management and Operation Co., Ltd.	Sales of goods	4,955.75	

Shandong Huitong Financial Leasing Co., Ltd.	Provision of labor services	12,304.00	
Shandong Inspur Zhuyuan Education Technology Co., Ltd.	Provision of labor services	4,165.00	
Shandong Inspur Youpai Technology Education Co., Ltd.	Provision of labor services	1,986.00	
Shanghai Inspur Tongruan Technology Co., Ltd.	Provision of labor services	227.00	
Wuhai Inspur Information Technology Co., Ltd.	Sales of goods	2,654.87	
Digital Cloud Limited	Selling goods and providing labor services	1,652,619.74	
Inspur Communication Technology Co., Ltd.	Provision of labor services	1,417,215.09	
Anhui Inspur Sincere Information Technology Co., Ltd.	Sales of goods	1,769.91	
Inspur Industrial Internet Co., Ltd.	Selling goods and providing labor services	335,264.09	
Diebold Financial Equipment Co., Ltd.	Sales of goods	1,353.98	
Guangxi Inspur Cloud Computing Service Co., Ltd.	Sales of goods	6,274.64	
Shandong Guoshuai Health Big Data Co., Ltd.	Provision of labor services	703.00	
Other overseas subsidiaries of Inspur Group	Selling goods and providing labor services	251,395,549.69	647,885,901.74

Related-party transaction of purchasing and selling goods, providing and accepting labor services

(2) Associated commissioned management/contracting and mandatory administration/outsourcing condition

Commissioned management/contracting of the Company:

Unit: RMB

Name of consignor/contractee	Name of consignee/contractor	Type of entrusted/contracted asset	Start date of being entrusted/contracted	End date of being entrusted/contracted	Pricing basis of trusteeship income/contracting income	Trusteeship income/contracting income recognized in the current period
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Description of associated trusteeship/contracting

Mandatory management/outsourcing of the Company:

Unit: RMB

Name of consignor/contractee	Name of consignee/contractor	Type of entrusting/outsourcing asset	Start date of entrustment/outsourcing	End date of entrustment/outsourcing	Pricing basis of trusteeship expenses/outsourcing expenses	Trusteeship expenses/outsourcing expenses recognized in current period
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Description of associated management/outsourcing

(3) Related-party lease

The Company acts as the lessor:

Unit: RMB

Name of the leasee	Types of lease assets	Lease income recognized in the current period	Lease income recognized in the previous period
Inspur Group Co., Ltd.	Rent and property	920,688.70	32,675.29
Inspur Financial Information Technology Co., Ltd.	Rent and property	1,748,948.44	1,746,855.18
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Rent and property	243,061.42	225,908.81
Inspur Software Technology Co., Ltd.	Rent and property	2,749,404.39	2,626,281.98
Inspur Cisco Network Technology Co., Ltd.	Rent and property	335,470.32	276,274.30
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Rent and property	109,703.51	101,961.84
Shandong Inspur Commercial System Co., Ltd.	Rent and property	90,108.05	
Shandong New Generation Information Industry Technology Research Institute Co., Ltd.	Rent and property	21,776.23	
Inspur Software Group Co., Ltd.	Rent and property	76,836.69	

Inspur Cloud Technology Co., Ltd.	Rent and property	2,623,907.50	
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The Company acts as the leasee:

Unit: RMB

Name of the lessor	Types of lease assets	Lease fees recognized in the current period	Lease fees recognized in the previous period
TimeoneTechnologyLtd.	Rent and property	566,943.12	607,448.82
Jinan Inspur Mingda Information Technology Co., Ltd.	Rent and property	8,787,538.48	10,107,617.90
Inspur Group Co., Ltd.	Rent and property	10,785,540.06	9,123,481.21
Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	Rent and property	4,436,949.32	2,783,046.24
Inspur USA Inc.	Rent and property	1,220,876.05	
Metarnet TECHNOLOGIES Co., Ltd.	Rent and property	4,812,803.62	
Jinan Inspur Tongda Investment Co., Ltd.	Rent and property	1,987,551.88	
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Rent and property	565,418.70	

Description of related-party lease

(4) Related-party guarantee

The Company acts as the guarantor

Unit: RMB

Guaranteed party	Amount guaranteed	Start date of guarantee	Maturity date of guarantee	Whether the guarantee is mature

The Company acts as the guaranteed party

Unit: RMB

Guarantor	Amount guaranteed	Start date of guarantee	Maturity date of guarantee	Whether the guarantee is mature
Inspur Group Co., Ltd.	200,000,000.00	June 29, 2020	June 28, 2021	Yes
Inspur Group Co., Ltd.	689,273,500.00	February 26, 2020	February 26, 2021	Yes
Inspur Group Co., Ltd.	850,000,000.00	May 31, 2021	May 30, 2024	No
Inspur Group Co., Ltd.	9,800,000.00	December 9, 2021	December 8, 2026	No

Description of related-party guarantee

(5) Fund inter-bank lending of related party

Unit: RMB

Related party	Lending amount	Start date	Maturity date	Description
Borrowing				
Lending				

(6) Asset transfer and debt restructuring of related parties

Unit: RMB

Related party	Content of related-party transaction	Accrual in the current period	Accrual in the previous period
Inspur Overseas Investment Development Co., Ltd.	Transfer of subsidiary equity		104,249.18

(7) Remuneration of key management personnel

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Remuneration of key management personnel	28,079,494.43	13,713,812.43

(8) Other related-party transactions

The Company signed a *Financial Service Agreement* with Inspur Group Finance Limited in February 2020. According to the Agreement, Inspur Group Finance Limited provides deposits, comprehensive credit, settlement, and other financial services to the Company and its controlling subsidiaries. Regarding deposit services, the deposit interest rate shall not be lower than the same type of deposit interest rate of major commercial banks in China during the same period, on the basis of meeting the relevant regulations of the People's Bank of China; regarding loan services, the loan interest rate shall not be higher than the same type of loan interest rate of major commercial banks in China during the same period.

1) The transaction amount between the Company and Inspur Group Finance Limited is as follows:

Item	Accrual in the current period	Accrual in the previous period
Accumulated bank deposits in the current period	152,054,631,370.72	83,275,698,185.63
Interest income	46,116,941.43	21,660,209.10
Interest expenditure	33,151,715.05	8,838,833.34
Payment for letter of guarantee handling fees	450,000.00	225,000.00
Obtaining short-term borrowings	1,300,000,000.00	1,310,000,000.00
Repayment of short-term borrowings	900,000,000.00	410,000,000.00
Obtaining long-term borrowings	36,275,849.99	
Bill discounted	369,291,785.48	
Discount interest of bill	1,907,683.46	
Obtaining a letter of guarantee	300,000,000.00	150,000,000.00

2) The balance of each project between the Company and Inspur Group Finance Limited is as follows:

Item	December 31, 2021	December 31, 2020
Monetary capital of related party	3,990,312,043.99	3,890,161,222.98
Principal of short-term borrowings	1,300,000,000.00	900,000,000.00
Interest payable of short-term borrowings	1,330,694.44	725,833.36
Principal of long-term borrowings	36,275,849.99	

6. Receivables and payables of related parties

(1) Receivables

Unit: RMB

Project name	Related party	Ending balance		Beginning balance	
		Book balance	Bad-debt reserves	Book balance	Bad-debt reserves
Accounts receivable	Other overseas subsidiaries of Inspur Group	95,445,481.05	8,825,234.58	391,194,443.20	25,012,529.51
Accounts receivable	VENEZOLANADE INDUSTRIA TECNOLÓGICA, C.A.	265,484,222.27	265,484,222.27	271,717,927.27	271,717,927.27
Accounts receivable	Metarnet TECHNOLOGIES Co., Ltd.	830.00	166.00	830.00	41.50
Accounts receivable	Guangxi Inspur Cloud Computing Service Co., Ltd.	6,274.64	313.73		
Accounts receivable	Jinan Inspur Data Technology Co., Ltd.	73,189,165.16	3,674,458.26	104,345,911.04	5,217,295.55
Accounts receivable	Jinan Inspur Network Technology Development Co., Ltd.			2,780,296.23	2,224,236.98
Accounts receivable	Jiangxi Inspur Venture Capital Cloud Computing Co., Ltd.	20,326.86	4,065.37	20,326.86	1,016.34
Accounts receivable	Inspur (Qingdao) Technology Group Co., Ltd.	4,438.64	221.93		

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts receivable	Inspur (Shandong) Electronic Information Co., Ltd.	54,775.51	43,820.41	54,775.51	43,291.86
Accounts receivable	Inspur Industrial Internet Co., Ltd.	10,875.58	543.78		
Accounts receivable	Inspur Group Co., Ltd.	16,959,803.64	3,189,329.40	14,511,264.11	7,182,773.41
Accounts receivable	Inspur Financial Information Technology Co., Ltd.			0.01	
Accounts receivable	Inspur Software Co., Ltd.	171,763,817.07	9,273,766.77	202,238,634.01	10,377,507.62
Accounts receivable	Inspur Software Group Co., Ltd.	19,932,550.33	996,627.52	40,576,378.06	2,028,818.90
Accounts receivable	Inspur Software Technology Co., Ltd.	4,481,849.06	266,613.59	10,899,735.94	569,986.55
Accounts receivable	Inspur Cisco Network Technology Co., Ltd.	204,157.90	10,207.89	703,800.00	35,190.00
Accounts receivable	Inspur Communication Technology Co., Ltd.	1,502,248.00	75,112.40		
Accounts receivable	Inspur Communication Information System Co., Ltd.	5,093.44	1,271.13	1,355.27	1,084.22
Accounts receivable	Inspur Common Software Co., Ltd.	1,658,846.27	728,044.56		
Accounts receivable	Inspur Cloud Technology Co., Ltd.	3,010,654.64	150,532.73		
Accounts receivable	Inspur Zhuoshu Big Data Industry Development Co., Ltd.	6,505.41	325.27		
Accounts receivable	Qingdao Smart City Big Data Technology Co., Ltd.	14,532.71	726.64		
Accounts receivable	Shandong Huitong Financial Leasing Co., Ltd.	6,940.46	347.02		

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts receivable	Shandong Inspur New Infrastructure Technology Co., Ltd.	1,134.22	56.71		
Accounts receivable	Shandong Inspur Cloud Service Information Technology Co., Ltd.	41,856,707.57	2,092,835.38	11,949,853.74	597,492.69
Accounts receivable	Shandong Inspur Ultra HD Video Industry Co., Ltd.	10,519.17	525.96		
Accounts receivable	Shanghai Inspur Tongruan Technology Co., Ltd.	2,056.51	912.83	1,800.00	360.00
Accounts receivable	Shanghai Inspur Cloud Computing Service Co., Ltd.	897,000.00	44,850.00		
Accounts receivable	Digital Cloud Limited	313,435.34	15,671.77		
Accounts receivable	Tianyuan Big Data Credit Management Co., Ltd.	1,881.45	94.07		
Accounts receivable	Yunnan Energy Investment Inspur Technology Co., Ltd.	4,350.00	2,175.00	4,350.00	870.00
Accounts receivable	Chongqing Inspur Big Data Industry Development Co., Ltd.			19,211.41	960.57
Advance payment	Inspur Communication Information System Co., Ltd.	600,000.00		600,000.00	
Advance payment	Jinan Inspur Mingda Information Technology Co., Ltd.			69,721.26	
Advance payment	Jinan Inspur Data Technology Co., Ltd.	4,101,557.44			
Advance payment	Suzhou Inspur Intelligent Software Co., Ltd.			20,448,157.87	

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Advance payment	Inspur Financial Information Technology Co., Ltd.	8,307.96			
Advance payment	Inspur Software Group Co., Ltd.			367,000.00	
Advance payment	Inspur Software Technology Co., Ltd.			48,235.00	
Advance payment	Inspur Cisco Network Technology Co., Ltd.	2,340.95		2,340.95	
Advance payment	Inspur Common Software Co., Ltd.			65,700.00	
Advance payment	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	379,024.55		993,470.09	
Advance payment	Yunnan Energy Investment Inspur Technology Co., Ltd.	13,287.95			
Other receivables	Other overseas subsidiaries of Inspur Group	1,262.20	252.44	111,249.18	5,562.46
Other receivables	Beijing Tongruan Technology Co., Ltd.	110,000.00	88,000.00	107,711.12	86,168.90
Other receivables	Inspur (Qingdao) Technology Group Co., Ltd.			8,545.06	
Other receivables	Inspur (Shandong) Electronic Information Co., Ltd.	27,406.29	15,370.98	27,406.29	8,816.93
Other receivables	Inspur Group Co., Ltd.	2,421,088.00	121,054.40	1,624,772.49	62,183.65
Other receivables	Inspur Financial Information Technology Co., Ltd.	10.88	2.18	10.88	0.54
Other receivables	Inspur Software Co., Ltd.	940,952.90	325,273.36	865,201.60	245,570.73
Other receivables	Inspur Software Group Co., Ltd.	7,502,153.32	4,649,418.66	8,991,013.20	5,594,938.56

Other receivables	Inspur Software Technology Co., Ltd.			417,233.27	20,861.67
Other receivables	Shandong Inspur Digital Service Co., Ltd.	2,132.70	598.02	2,132.70	192.38
Other receivables	Inspur Common Software Co., Ltd.			1,102,552.37	668,605.74
Other receivables	Inspur Cloud Technology Co., Ltd.			112,905.80	9,178.69
Other receivables	Inspur Zhuoshu Big Data Industry Development Co., Ltd.			4,984.43	249.22
Other receivables	Qingdao Inspur Park Operation Management Co., Ltd.	7,950.00	6,360.00	7,950.00	6,360.00
Other receivables	Qingdao Smart City Big Data Technology Co., Ltd.			9,402.51	470.13
Other receivables	Shandong Huaguang Optoelectronics Co., Ltd.	856.73	685.38	856.73	685.38
Other receivables	Shandong Huitong Financial Leasing Co., Ltd.			1,684.83	84.24
Other receivables	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.			8,300.00	415.00
Other receivables	Shandong Inspur Financial Software Information Co., Ltd.	179,307.65	143,446.12	179,307.65	143,446.12
Other receivables	Shandong Inspur Senya Network Technology Co., Ltd.	2,197.26	1/757.81	2,197.26	1,757.81
Other receivables	Shandong Inspur New Infrastructure Technology Co., Ltd.	24,768.00	1,238.40		

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Other receivables	Shandong Inspur New Century Technology Co., Ltd.	1,099.58	879.66	1,099.58	879.66
Other receivables	Shandong Inspur Cloud Service Information Technology Co., Ltd.	7,710.60	6,168.48	7,710.60	6,168.48
Other receivables	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	92,382.23	73,905.78	92,382.23	73,905.78
Other receivables	Yunnan Energy Investment Inspur Technology Co., Ltd.			2,582.73	129.14

(2) Payables

Unit: RMB

Project name	Related party	Ending book balance	Beginning book balance
Accounts payable	Shanghai Inspur Information Technology Co., Ltd.	24,097,057.01	12,793,584.91
Accounts payable	Hezhou Inspur Intelligent Information Technology Co., Ltd.		59,419.66
Accounts payable	Beijing Tongruan Technology Co., Ltd.	244,272.22	
Accounts payable	Jinan Inspur Mingda Information Technology Co., Ltd.	121,991.75	
Accounts payable	Jinan Inspur Data Technology Co., Ltd.	9,470,355.15	7,228,961.00
Accounts payable	Inspur (Qingdao) Technology Group Co., Ltd.	3,755.94	3,755.94
Accounts payable	Inspur Group Co., Ltd.	9,567.10	158,557.86
Accounts payable	Inspur Software Co., Ltd.	943,355.92	712,733.67
Accounts payable	Inspur Software Group Co., Ltd.	2,115,846.60	3,475,316.06
Accounts payable	Inspur Software Technology Co., Ltd.	1,232,107.55	
Accounts payable	Shandong Inspur Digital Service Co., Ltd.	53,905.70	12,554.08
Accounts payable	Inspur Cisco Network Technology Co., Ltd.	10,770,340.05	13,012,738.83

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts payable	Inspur Communication Information System Co., Ltd.	182,661.90	182,661.90
Accounts payable	Inspur Common Software Co., Ltd.	3,782,604.83	5,008,600.00
Accounts payable	Inspur Cloud Technology Co., Ltd.	6,035,415.78	4,614,414.00
Accounts payable	Inspur Zhuoshu Big Data Industry Development Co., Ltd.	69,500.00	
Accounts payable	Inner Mongolia Inspur Information Technology Co., Ltd.	5,803,886.02	7,849,579.10
Accounts payable	Shandong Aicheng Information Technology Co., Ltd.	100,000.00	
Accounts payable	Shandong SinoChip Semiconductors Co., Ltd.	34,206,162.91	23,176,012.56
Accounts payable	Shandong Huitong Financial Leasing Co., Ltd.	9,632,488.99	25,687,849.73
Accounts payable	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	2,517,235.00	
Accounts payable	Shandong Inspur E-government Software Co., Ltd.	450,000.00	
Accounts payable	Shandong Inspur Industrial Internet Industry Co., Ltd.	8,042.45	
Accounts payable	Shandong Inspur New Infrastructure Technology Co., Ltd.	6,866,150.00	
Accounts payable	Shandong Inspur Cloud Service Information Technology Co., Ltd.	11,936.25	11,936.25
Accounts payable	Shandong Inspur Ultra HD Video Industry Co., Ltd.	13,449.43	
Accounts payable	Shandong Mingzhu Shijia Real Estate Co., Ltd.		615,675.62
Accounts payable	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	5,586,769.28	
Accounts payable	Shanghai Inspur Cloud Computing Service Co., Ltd.	2,676.33	
Accounts payable	Yantai Inspur Park Operation Management Co., Ltd.	21,096.00	21,096.00

APPENDIX II

FINANCIAL INFORMATION OF INSUR

Accounts payable	Yunnan Energy Investment Inspur Technology Co., Ltd.	31,489,360.78	20,040,464.09
Contract liabilities	Other overseas subsidiaries of Inspur Group	4,911,382.78	4,725,346.44
Contract liabilities	Diebold Financial Equipment Co., Ltd.	10,000.00	
Contract liabilities	Guangxi Inspur Cloud Computing Service Co., Ltd.	6,274.64	
Contract liabilities	Jinan Inspur Data Technology Co., Ltd.	115,964.00	102,623.01
Contract liabilities	Laizhou Inspur Common Software Co., Ltd.	3,063.01	
Contract liabilities	Inspur (Shandong) Electronic Information Co., Ltd.	58,725.00	51,969.03
Contract liabilities	Inspur Innovation Technology Co., Ltd.	249,469.03	
Contract liabilities	Inspur Group Co., Ltd.	1,087,389.38	3,847,036.95
Contract liabilities	Inspur Financial Information Technology Co., Ltd.	0.12	0.11
Contract liabilities	Inspur Software Co., Ltd.	283,602.37	249,737.49
Contract liabilities	Inspur Software Group Co., Ltd.	18,112,671.77	5,620,845.22
Contract liabilities	Shandong Inspur Digital Service Co., Ltd.	582.66	515.63
Contract liabilities	Inspur Communication Information System Co., Ltd.	1,058,619.16	1,448,738.59
Contract liabilities	Inspur Common Software Co., Ltd.	32,280.30	99,936.71
Contract liabilities	Inspur Cloud (Guizhou) Technology Co., Ltd.	1,070,150.00	947,035.40
Contract liabilities	Inspur Cloud Technology Co., Ltd.	37,689.69	
Contract liabilities	Liaocheng Inspur Electronic Information Co., Ltd.	0.02	0.02
Contract liabilities	Linyi Inspur Lighting Technology Co., Ltd.	192,705.00	
Contract liabilities	Inner Mongolia Inspur Information Technology Co., Ltd.	177,336.81	1,054,899.83
Contract liabilities	Shandong SinoChip Semiconductors Co., Ltd.	1,690.80	1,496.26

Contract liabilities	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	595,480.00	
Contract liabilities	Shandong Inspur E-government Software Co., Ltd.	672.57	672.57
Contract liabilities	Shandong Inspur Cloud Service Information Technology Co., Ltd.	501,600.00	12,846,784.16
Contract liabilities	Shandong Inspur Yunhai Cloud Computing Industry Investment Co., Ltd.	606,000.00	
Contract liabilities	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	4,278,830.00	
Contract liabilities	Shandong Inspur Ultra HD Video Industry Co., Ltd.	12,491.02	
Contract liabilities	Shanghai Inspur Information Technology Co., Ltd.	17,280.44	
Contract liabilities	Shanghai Inspur Cloud Computing Service Co., Ltd.	91,745.86	279,421.12
Contract liabilities	Xi'an Inspur Yunchuang Information Technology Co., Ltd.	8,466.54	238.94
Contract liabilities	Yunnan Energy Investment Inspur Technology Co., Ltd.	158,901.03	137,522.12
Contract liabilities	Inspur (Qingdao) Technology Group Co., Ltd.		1,875.00
Contract liabilities	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.		536,283.19
Other payables	Other overseas subsidiaries of Inspur Group	35,924.27	
Other payables	Metarnet TECHNOLOGIES Co., Ltd.	208,533.61	181,270.30
Other payables	Beijing Tongruan Technology Co., Ltd.	11,650.56	
Other payables	Inspur Communication Information System Co., Ltd.		1,334.19
Other payables	Guangdong Inspur Software Co., Ltd.		22,493.21
Other payables	Hainan Inspur Information Technology Co., Ltd.	5,723.52	

Other payables	Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	48,564.88	34,678.09
Other payables	Jinan Inspur Huida Information Technology Co., Ltd.	33,093.93	
Other payables	Jinan Inspur Mingda Information Technology Co., Ltd.	773,613.34	67,156.75
Other payables	Jinan Inspur Network Technology Development Co., Ltd.	8.76	8.76
Other payables	Jiangsu Inspur Information Technology Co., Ltd.		20,566.37
Other payables	Inspur (Qingdao) Technology Group Co., Ltd.	3,855.56	3,855.56
Other payables	Inspur (Xiamen) Electronic Technology Co., Ltd.	998,176.66	2,196,695.27
Other payables	Inspur Group Co., Ltd.	5,945,241.93	5,753,635.25
Other payables	Inspur Software Group Co., Ltd.	365.00	3,133.49
Other payables	Inspur Software Technology Co., Ltd.	29,543.76	189,685.55
Other payables	Shandong Inspur Digital Service Co., Ltd.	106,077.80	
Other payables	Shandong SinoChip Semiconductors Co., Ltd.		12,335.77
Other payables	Shandong Inspur Industrial Internet Industry Co., Ltd.	939,249.24	
Other payables	Shandong Inspur Youpai Technology Education Co., Ltd.	231.65	1,684.83
Other payables	Shandong Inspur Cloud Service Information Technology Co., Ltd.	40,396.89	15,877.43
Other payables	Shandong Mingzhu Shijia Real Estate Co., Ltd.	0.01	
Other payables	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	205,280.87	
Other payables	Shandong Inspur Ultra HD Video Industry Co., Ltd.	70,098.18	70,098.18

Other payables	Shanghai Inspur Cloud Computing Service Co., Ltd.	52,087.64	60,119.68
Other payables	Chongqing Inspur Cloud Chain Information Technology Co., Ltd.	76,670.31	

7. Commitment of related parties**8. Others****XIII. Share-based Payment****1. Overall situation of share-based payment**

Applicable Not applicable

Unit: RMB

Total equity instruments granted by the Company in the current period	0.00
Total equity instruments exercised by the Company in the current period	0.00
Total equity instruments that have expired in the current period of the Company	59,302,936.08
Scope of the exercise price of the Company's outstanding share option and remaining period of the contract at the end of the period	The exercise price is RMB 16.06/share, and the waiting period for the third exercise is 8 months remaining

Other descriptions

2. Share-based payment settled by equity

Applicable Not applicable

Unit: RMB

Determination method of fair value of equity instruments on grant date	Black-Scholes model
Determination basis of the quantity of vesting equity instruments	Determine the best estimate of the number of grants that may be exercised by the incentive object
Reasons for the significant difference between the estimate in the current period and the estimate in the previous period	None
Cumulative amount of share-based payment in equity included in capital reserves	531,516,258.62
Total expenses recognized by share-based payment in equity in current period	13,045,066.85

Other descriptions

3. Share-based payment settled by cash

Applicable Not applicable

XIV. Commitments and Contingencies**1. Important commitments**

Important commitments existing on the balance sheet date

None

2. Contingencies**(1) The Company shall also give the indication for no important contingencies to be disclosed.**

The Company has no important contingencies to be disclosed.

XV. Events after the Balance Sheet Date**1. Important non-adjusting events**

Unit: RMB

Item	Contents	Influence number on financial conditions and operating results	Reasons for inestimable influence number

2. Profit distribution

Unit: RMB

Profits or dividends to be distributed	203,520,983.40
Profits or dividends declared after deliberation and approval	203,520,983.40

3. Sales return**4. Description of other events after the balance sheet date****XVI. Notes to Main Items of Financial Statements of Parent Company****1. Accounts receivable****(1) Classification disclosure of accounts receivable**

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Accounts receivable for which bad-debt reserves are recognized on an individual basis	261,500.00	0.00%	261,500.00	100.00%	0.00					
Including:										
Including: Accounts receivable with significant single amount and separately withdrawn bad-debt reserves										

Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	261,500.00	0.00%	261,500.00	100.00%	0.00					
Accounts receivable for which bad-debt reserves are recognized on a combination basis	14,437,585,730.11	100.00%	523,935,618.06	3.63%	13,913,650,112.05	8,065,594,356.83	100.00%	274,196,174.14	3.40%	7,791,398,182.69
Including:										
Including: Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	14,437,585,730.11	100.00%	523,935,618.06	3.63%	13,913,650,112.05	8,065,594,356.83	100.00%	274,196,174.14	3.40%	7,791,398,182.69
Total	14,437,847,230.11	100.00%	524,197,118.06	3.63%	13,913,650,112.05	8,065,594,356.83	100.00%	274,196,174.14	3.40%	7,791,398,182.69

Withdrawal of bad-debt reserves by single item: Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	261,500.00	261,500.00	100.00%	The Company has been cancelled or revoked
Total	261,500.00	261,500.00	--	-

Withdrawal of bad-debt reserves by single item:

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal

Withdrawal of bad-debt reserves in portfolios: Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	14,437,585,730.11	523,935,618.06	3.63%
Total	14,437,585,730.11	523,935,618.06	--

Descriptions for determining the combination basis:

Withdrawal of bad-debt reserves in portfolios:

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion

Descriptions for determining the combination basis:

If the bad-debt reserves of accounts receivable are made according to the general model of expected credit loss, refer to the disclosure method of other receivables to disclose relevant information on bad-debt reserves:

Applicable Not applicable

Disclosure by account age

Unit: RMB

Account age	Book balance
Within 1 year (inclusive)	14,216,755,068.67
1-2 years	210,258,761.26
2-3 years	936,316.65
Over 3 years	9,897,083.53
3-4 years	1,842,046.53
4-5 years	565,247.44
Over 5 years	7,489,789.56
Total	14,437,847,230.11

(2) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Accounts receivable for which bad-debt reserves are recognized on an individual basis		261,500.00				261,500.00
Accounts receivable for which bad-debt reserves are recognized on a combination basis						
Including: Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	274,196,174.14	249,739,443.92				523,935,618.06
Total	274,196,174.14	250,000,943.92				524,197,118.06

Thereinto, important amounts of bad-debt reserves recovered or reversed in the current period:

Unit: RMB

Unit name	Amount recovered or reversed	Recovery method
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(3) Actual write-off accounts receivable in the current period

Unit: RMB

Item	Written-off amount
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Thereinto, conditions for write-off of important accounts receivable:

Unit: RMB

Unit name	Nature of accounts receivable	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction
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Description of write-off of accounts receivable:

(4) Accounts receivable of the top five among ending balance collected by the debtor

Unit: RMB

Unit name	Ending balance of accounts receivable	Proportion of the total ending balance of accounts receivable	Ending balance of bad-debt reserves
Customer 1	1,858,981,339.06	12.88%	92,949,066.95
Customer 2	1,520,555,066.87	10.53%	0.00
Customer 3	926,650,993.53	6.42%	46,332,549.68
Customer 4	760,622,355.66	5.27%	38,031,117.78
Customer 5	743,370,628.48	5.15%	0.00
Total	5,810,180,383.60	40.25%	--

(5) Accounts receivable derecognized due to transfer of financial assets

The Company derecognizes accounts receivable due to factoring business, and the ending balance of accounts receivable was RMB 1,948,989,447.12.

2. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	529,535,452.12	532,782,311.09
Total	529,535,452.12	532,782,311.09

(1) Other receivables

1) Classification of other receivables according to the nature of payment

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Staff reserves	6,838,827.89	10,834,977.43
Deposits	111,722.22	85,665.22
Intercourse funds	494,484,479.50	477,934,999.43
Other payments	4,028,903.83	21,434,001.52
Performance bond	46,211,771.79	42,331,241.51
Total	551,675,705.23	552,620,885.11

2) Bad-debt reserves

Unit: RMB

Bad-debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the future 12 months	Expected credit loss throughout the entire duration (Credit impairment has not occurred)	Expected credit loss throughout the entire duration (Credit impairment has occurred)	
Balance as of January 1, 2021	19,838,574.02			19,838,574.02
Balance as of January 1, 2021 in the current period				
- Transfer to Stage II	-114,658.00		114,658.00	
Calculation and withdrawal in the current period	2,273,014.59		28,664.50	2,301,679.09
Balance as of December 31, 2021	21,996,930.61		143,322.50	22,140,253.11

Changes in the book balance with significant changes in loss reserves for the current period

 Applicable Not applicable

Disclosure by account age

Unit: RMB

Account age	Book balance
Within 1 year (inclusive)	508,435,898.63
1-2 years	12,759,982.18
2-3 years	7,597,699.43
Over 3 years	22,882,124.99
3-4 years	7,247,300.94
4-5 years	4,426,066.69
Over 5 years	11,208,757.36
Total	551,675,705.23

3) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Other receivables with expected credit impairment throughout the entire existence period		143,322.50				143,322.50
Other receivables reserved for bad debts in accordance with the same credit risk characteristic portfolio	19,838,574.02	2,158,356.59				21,996,930.61
Total	19,838,574.02	2,301,679.09				22,140,253.11

Thereinto, important amounts of bad-debt reserves reversed or recovered in the current period:

Unit: RMB

Unit name	Amount reversed or recovered	Recovery method
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4) Other receivables actually written off in current period

Unit: RMB

Item	Written-off amount
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Thereinto, conditions for write-off of important other receivables:

Unit: RMB

Unit name	Nature of other receivables	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction
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Write-off descriptions of other receivables:

5) Other receivables of top five ending balances collected by the debtor

Unit: RMB

Unit name	Nature of payment	Ending balance	Account age	Proportion of the total ending balance of other receivables	Ending balance of bad-debt reserves
Inspur Electronic Information (Hong Kong) Co., Ltd.	Intercourse funds	351,890,882.97	Within 1 year	63.79%	
Inspur (Hong Kong) Electronics Co., Ltd.	Intercourse funds	137,202,859.17	Within 1 year	24.87%	
Nanjing Suning Electronic Information Technology Co., Ltd.	Deposits	17,297,135.85	0-5 years	3.14%	9,565,670.67
Shenzhen Ping An Comprehensive Financial Services Co., Ltd.	Deposits	2,000,000.00	3-4 years	0.36%	1,600,000.00
Ping An Bank Co., Ltd.	Deposits	2,000,000.00	1-2 years	0.36%	400,000.00
Total	--	510,390,877.99		92.52%	11,565,670.67

6) Receivables involving government subsidies

Unit: RMB

Unit name	Government subsidy project name	Ending balance	Ending aging	Predicted collecting time, amount and evidence
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7) Other receivables derecognized due to transfer of financial assets**8) Amount of assets and liabilities formed from transfer of other receivables and continuous involvement**

Other descriptions:

3. Long-term equity investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Investment in subsidiaries	2,421,255,850.38		2,421,255,850.38	2,356,255,850.38		2,356,255,850.38
Investment in associated enterprises and joint ventures	306,872,633.81		306,872,633.81	308,200,076.31		308,200,076.31
Total	2,728,128,484.19		2,728,128,484.19	2,664,455,926.69		2,664,455,926.69

(1) Investment in subsidiaries

Unit: RMB

Investee	Beginning balance (book value)	Increase/decrease changes in the current period				Ending balance (book value)	Ending balance of impairment reserves
		Additional investments	Negative investments	Provision for impairment reserves	Others		
Inspur (Beijing) Electronic Information Industry Co., Ltd.	61,722,500.00					61,722,500.00	
Shenzhen Tianhecheng Industrial Development Co., Ltd.	8,670,924.83					8,670,924.83	
Jinan Oriental Joint Technology Development Co., Ltd.	477,750,230.55					477,750,230.55	
Shandong Inspur Import and Export Co., Ltd.	630,723,365.00					630,723,365.00	
Inspur Electronic Information (Hong Kong) Co., Ltd.	102,898,830.00					102,898,830.00	

Beijing Inspur Anda Technology Investment Co., Ltd.	30,000,000.00					30,000,000.00	
Guangdong Inspur Intelligent Computing Technology Co., Ltd.	10,000,000.00					10,000,000.00	
Jinan Inspur Yunhai Trading Co., Ltd.	10,000,000.00					10,000,000.00	
Dingtian Shenghua (Beijing) Software Technology Co., Ltd.	24,490,000.00					24,490,000.00	
Guizhou Inspur Yingxin Technology Co., Ltd.	20,000,000.00					20,000,000.00	
Inspur (Qingdao) Electronic Information Industry Co., Ltd.	10,000,000.00					10,000,000.00	
Inspur Power Commercial Systems Co., Ltd.	340,000,000.00					340,000,000.00	
Shaanxi Inspur Yingxin Technology Co., Ltd.	10,000,000.00					10,000,000.00	
Shanxi Inspur Electronic Information Industry Co., Ltd.	10,000,000.00					10,000,000.00	
Anhui Inspur Electronic Information Industry Co., Ltd.	10,000,000.00					10,000,000.00	

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Inspur (Tianjin) Electronic Information Technology Co., Ltd.	10,000,000.00					10,000,000.00	
Suzhou Inspur Intelligent Technology Co., Ltd.	200,000,000.00					200,000,000.00	
Guiyang Inspur Intelligent Technology Co., Ltd.	100,000,000.00					100,000,000.00	
Inspur (Xiamen) Computer Technology Co., Ltd.	50,000,000.00					50,000,000.00	
Inspur (Nanning) Computer Technology Co., Ltd.	50,000,000.00					50,000,000.00	
Inspur (Changchun) Computer Technology Co., Ltd.	50,000,000.00					50,000,000.00	
Inspur (Beijing) Computer Technology Co., Ltd.	30,000,000.00					30,000,000.00	
Inspur (Chengdu) Computer Technology Co., Ltd.	50,000,000.00					50,000,000.00	
Inspur (Zhengzhou) Computer Technology Co., Ltd.	30,000,000.00					30,000,000.00	
Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd.	30,000,000.00					30,000,000.00	
Inspur (Shandong) Computer Technology Co., Ltd.		65,000,000.00				65,000,000.00	
Total	2,356,255,850.38	65,000,000.00				2,421,255,850.38	

(2) Investment in associated enterprises and joint ventures

Unit: RMB

Investor	Beginning balance (book value)	Increase/decrease changes in the current period								Ending balance (book value)	Ending balance of impairment reserves
		Additional investments	Negative investments	Investment profit and loss recognized by the equity method	Adjustments of other comprehensive incomes	Other equity changes	Cash dividends or profits to be issued as announced	Provision for impairment reserves	Others		
I. Joint venture											
Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	85,078,526.48			-24,865.71						85,053,660.77	
Subtotal	85,078,526.48			-24,865.71						85,053,660.77	
II. Associated enterprise											
Jinan Inspur High-tech Investment Development Co., Ltd.	153,563,727.92			1,893,632.21						155,457,360.13	
TUNGKONG INC.	56,477,308.97			6,650,111.06		539,646.58	7,783,304.80			55,883,761.81	
Shandong SinoChip Semiconductors Co., Ltd.	5,996,726			85,645.59	-98,876.5					5,983,495	
	.35									.43	
Shandong Huaxin Youchuang Technology Co., Ltd.	7,083,786.59			-1,819,490.88	-769,940.04					4,494,355.67	
Subtotal	223,121,549.83			6,809,897.98	-868,816.55	539,646.58	7,783,304.80			221,818,973.04	
Total	308,200,076.31			6,785,032.27	-868,816.55	539,646.58	7,783,304.80			306,872,633.81	

(3) Other descriptions

4. Operating income and operating cost

Unit: RMB

Item	Accrual in the current period		Accrual in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	66,266,360,979.79	60,561,127,687.23	57,367,913,300.46	52,566,629,632.96
Other businesses	326,145,139.43	73,478,216.70	365,743,072.07	53,242,639.64
Total	66,592,506,119.22	60,634,605,903.93	57,733,656,372.53	52,619,872,272.60

Information related to revenue:

Unit: RMB

Contract classification	Segment 1	Segment 2		Total
Goods type				
Including:				
Classification by operating area				
Including:				
Market or customer type				
Including:				
Contract type				
Including:				
Classified by time of goods transfer				
Including:				
Classified by contract term				
Including:				

Classified by sales channel				
Including:				
Total				

Information related to performance obligations:

None

Information related to the transaction price allocated to the remaining performance obligations:

The revenue corresponding to the performance obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of the reporting period is RMB 6,314,330,650.62, with RMB 6,314,330,650.62 expected to be recognized as revenue in 2022.

Other descriptions:

5. Return on investment

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Return on long-term equity investment accounted by the cost method	40,366,108.87	24,260,624.56
Return on long-term equity investment accounted by the equity method	6,785,032.27	3,281,794.70
Return on investment from disposal of long-term equity investment		-205,029.42
Return on investment for disposal of trading financial assets	141,440,375.61	128,223,583.14
Total	188,591,516.75	155,560,972.98

6. Others

XVII. Supplementary Information

1. Current non-recurring profits and losses

√ Applicable Not applicable

Unit: RMB

Item	Amount	Description
Gains or losses on disposal of non-current assets	-2,288,093.83	
Government subsidies included into the current profits and losses (except those that were closely related to the Company's normal business operations, comply with national policies and regulations and were continuously available in accordance with certain standard quota or quantity)	256,208,834.67	
Except effective hedging business related to the Company's normal business operations, profits and losses from fair value changes caused by the held trading financial assets and trading financial liabilities, and return on investment acquired from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets.	531,719.52	
Non-operating income and expenditure other than those mentioned above	6,322,079.38	
Minus: Influenced amount of income tax	41,396,152.78	
Influenced amount of minority equity	13,771,181.30	
Total	205,607,205.66	--

Specific situations of other profit and loss items complying with the definition of non-recurring profits or losses:

 Applicable Not applicable

The Company does not have specific situations of other profit and loss items complying with the definition of non-recurring profits or losses. Description on situations for defining non-recurring profit and loss items listed in the *Explanatory Announcement No.1 on Disclosure of the Information of Companies Offering Their Securities to the Public - Non-recurring Profits and Losses* as recurring profits and losses.

√ Applicable Not applicable

Item	Amount involved (RMB)	Reasons
Software tax refund for immediate collection and refund	105,138,040.92	Belonging to government subsidies that are continuously enjoyed according to certain standards, quotas or quantities

2. Return on net assets and earnings per share

Profit during the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to common shareholders of the Company	13.07%	1.3777	1.3688
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	11.72%	1.2362	1.2283

3. Accounting data difference under domestic and foreign accounting standards

(1) Difference in net profits and net assets in financial report disclosed in accordance with international accounting standards and Chinese accounting standards.

Applicable Not applicable

(2) Difference in net profits and net assets in financial report disclosed in accordance with foreign accounting standards and Chinese accounting standards.

Applicable Not applicable

(3) The reason of accounting data difference under domestic and foreign accounting standard shall be explained. If the data audited by the foreign audit authority carries out the different adjustment, the name of foreign authority shall be indicated.

4. Others

Section X Financial Statements

I. Audit Report

Type of audit opinion	Standard unqualified opinion
Signing date of the audit report	April 11, 2023
Name of audit institution	Hexin Certified Public Accountants (Special General Partnership)
Document number of the audit report	HXS ZI (2023) No. 000642
Name of CPAs	Wang Xiaonan, Gu Erli

Main body of the audit report

To all shareholders of Inspur Electronic Information Industry Co., Ltd.:

I. Audit Opinions

We have audited the financial statements of Inspur Electronic Information Industry Co., Ltd. (hereinafter referred to as "Inspur Information"), including the consolidated and company balance sheet as of December 31, 2022, as well as the consolidated and company profit statement, the consolidated and company cash flow statement, the consolidated and company statement of changes in shareholders' equities, and other relevant notes to financial statements as of 2022.

In our opinion, the attached financial statements are prepared in accordance with the provisions of Accounting Standards for Business Enterprises in all material respects and fairly present Inspur Information's consolidated and the company's financial position as of December 31, 2022 and the consolidated and company's operating results and cash flows in 2022.

II. Basis for Audit Opinions

We have conducted our audit in accordance with the Auditing Standards of Chinese Certified Public Accountants. Our responsibilities thereunder are further described in the section of "CPA's Responsibilities for the Audit of the Financial Statements" of the Audit Report. According to the China Code of Ethics for Certified Public Accountants, we are independent of the Inspur Information Company and fulfilled other responsibilities of code of ethics. We believe that the audit evidences we have obtained are sufficient and appropriate, and provide a basis for our audit opinions.

III. Key Audit Matters

Key audit matters refer to the matters that we consider as most important for auditing the financial statements in accordance with our professional judgments. The response to these matters is based on the audit of the financial statements as a whole and the formation of audit opinions. We do not express opinions on these matters separately. We determine that the following matters are the key audit matters which shall be provided in the Audit Report:

(I) Revenue recognition for "servers and components"

1. Matter description

The operating income of Inspur Information Company in 2022 was RMB 69,525,458,200, of which the revenue of "servers and components" was RMB 68,948,052,100, accounting for 99.17% of the operating income. As the revenue is one of the key business indicators of Inspur Information Company, there may be a significant risk of misstatement in whether it is recognized and presented in the appropriate financial statement period, and the revenue of "servers and components" accounts for a relatively high proportion of total operating income. Therefore, we recognize the revenue of "servers and components" as a key audit matter.

For relevant information, refer to "Note III. 36. Revenue, and Note V. 41. Operating Income and Operating Cost" to the financial statements.

2. Audit response

The audit procedures we have implemented for this key audit matter are mainly as follows:

(1) Understand the key internal controls related to revenue recognition of "servers and components" by the management of Inspur Information Company (hereinafter referred to as "the management"), evaluate and test the effectiveness of their design and operation;

(2) Select samples to examine sales contracts, identify key contract terms and performance obligations related to revenue recognition of "servers and components", and evaluate whether the revenue recognition policy for "servers and components" complies with accounting standards;

- (3) Obtain the sales list for the current year, execute analytical procedures, and assess the reasonableness of changes in revenue and gross margin for the current period;
- (4) Conduct detailed testing on the revenue recorded for this year, verify supporting documents such as sales contracts, delivery orders, acceptance forms, sales invoices, and customs declarations, etc.;
- (5) Based on the audit of accounts receivable, select samples to execute the confirmation procedure;
- (6) Conduct a cut-off test on transactions recorded before and after the balance sheet date to evaluate whether the revenue is recorded in the appropriate accounting period.

The evidence we have obtained can support the management's judgment on revenue recognition of "servers and components".

(II) Recognition of inventory balance and falling price reserves

1. Matter description

Inspur Information Company is mainly engaged in R&D, manufacturing, and sales of servers and components. The main inventory goods are servers, and the main raw materials are chips, memory, hard drives, etc. As of December 31, 2022, the inventory book balance of Inspur Information Company was RMB 15,838,550,600, with a provision for falling price reserves of RMB 813,918,700 and a book value of RMB 15,024,631,900, accounting for 36.63% of the total assets. Inspur Information Company measures inventory based on the lower of cost and net realizable value. If the cost of inventory exceeds its net realizable value, a provision for inventory falling price reserves shall be made. Inspur Information Company determines the net realizable value based on the estimated selling price of inventory minus the estimated sales expenses and relevant taxes and fees. In the estimate process, the management needs to make significant judgments and consider historical selling prices and future market trends. Due to the significant influence of inventory balance and falling price reserves on the financial statements and the need for management to make significant judgments, we recognize them as key audit matters.

For relevant information, refer to "Note III. 15. Inventory, and Note V. 8. Inventory" to the financial statements.

2. Audit response

The audit procedures we have implemented for this key audit matter are mainly as follows:

- (1) Understand the key internal controls related to inventory balance recognition and provision for falling price reserves by management, evaluate and test the effectiveness of their design and operation;
- (2) Review the annual procurement plan, select samples to examine procurement contracts, orders, logistics information, and other materials;
- (3) Implement inventory monitoring procedures, conduct on-site inspections of inventory quantity, quality, storage status, etc.;
- (4) Obtain the calculation sheet for inventory falling price reserves, review the recognition basis for net realizable value, and analyze whether the provision for inventory falling price reserves is sufficient;
- (5) Obtain the inventory aging list, and conduct an analytical review of the inventory falling price reserves with longer aging;
- (6) Conduct the sampling inspection of inventory sold after December 31, 2022, and compare the actual selling price of the sample with the estimated selling price.

The evidence we have obtained can support the management's judgment in determining inventory balance and falling price reserves.

IV. Other Information

The management shall be responsible for other information. Other information includes the information contained in the 2022 annual report of Inspur Information Company, but excludes financial statements and our audit report.

Our audit opinions on the financial statements do not cover other information, and we do not give any authentication conclusions about other information.

In combination with our audit of the financial statements, our responsibility is to read other information, and we shall, during this process, consider whether other information is materially inconsistent with the financial statements or the information we learned during the audit, or there are material misstatements.

Based on the work we have performed, we shall report if we recognize that other information is materially misstated. In this regard, we have nothing to be reported.

V. Responsibilities of Management and Governance for Financial Statements

The management is responsible for preparing financial statements in accordance with provisions of Accounting Standards for Business Enterprises to realize a fair presentation of financial conditions, designing, implementing as well as maintaining necessary internal control to avoid the material misstatements in the financial statements due to frauds or errors.

During the preparation of financial statements, the management is responsible for assessing going-concern ability of Inspur Information Company, disclosing matters related to going-concern (if applicable) and applying the going-concern assumption, unless the management is planning to liquidate Inspur Information Company and terminate operation, or has no other realistic choice.

The governance of Inspur Information Company (hereinafter referred to as "the governance") is responsible for supervising the financial reporting process of Inspur Information Company.

VI. CPA's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement due to frauds or errors, and to issue an audit report containing our audit opinions. Reasonable assurance is a high level of assurance, but there is no guarantee that the audit carried out in accordance with auditing standards will always find material misstatements. Misstatement may be caused by frauds or errors. If it is reasonably expected that the misstatement, individually or collectively, may affect the economic decisions made by users of financial statements based on the financial statements, it is generally considered that the misstatement is material.

During the audit conducted in line with auditing standards, we shall adopt professional judgment and keep professional skepticism all the time. Meanwhile, we shall also execute the following tasks:

(I) Identify and assess material misstatement risks caused by fraud or error of the financial statement, design and execute audit procedures to handle with these risks, and obtain adequate, proper audit evidence as the basis for stating audit opinions. The risk of not detecting a material misstatement resulting from frauds is higher than that resulting from errors, as frauds may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.

(II) Learn about the audit-related internal control in order to design the appropriate audit procedures.

(III) Evaluate the appropriateness of the accounting policies adopted by the management and the reasonableness of accounting estimate and related disclosure.

(IV) Draw a conclusion on the appropriateness of the management's use of going-concern assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about Inspur Information Company's ability to continue as a going-concern. If we come to the conclusion of the existence of material uncertainty, the auditing standards require us to remind the users of the statements to pay attention to related disclosure in the financial statements in the audit report; in the event that the disclosures are not sufficient, we shall publish a non-unqualified opinion. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may cause Inspur Information Company not being able to continue as a going-concern.

(V) Evaluate the overall presentation, structure and content of financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding to Inspur Information Company's financial information of the entities or business activities in order to express audit opinions on the financial statements. We are responsible for guiding, supervising and implementing the Group audit, and fully liable for audit opinions.

We have communicated with the governance about the planned audit scope, schedule, material audit findings, etc., including the noteworthy internal control deficiency identified during auditing.

We also provided statements to those in charge of the governance about applying professional ethics requirements in terms of independence, and made communication with the governance on all relationships and other matters that may reasonably be considered to affect our independence, and responsive precautionary measures (if applicable).

From the matters that we communicate with the governance, we determine which matters are most important for the audit of the current financial statements, and therefore constitute the key audit matters. We describe these matters in the audit report unless public disclosure of these matters is prohibited by laws and regulations or, in rare cases, we determine that these matters should not be communicated in the audit report if the negative consequences of communicating certain matters in audit report would reasonably be expected to surpass the benefit in the public interest.

Hexin Certified Public Accountants (Special General Partnership)

Jinan·China

Chinese Certified Public Accountant: Wang Xiaonan

(Project Partner)

Chinese Certified Public Accountant: Gu Erli

April 11, 2023

II. Financial Statements

The unit of the statements in the financial notes is: RMB

1. Consolidated balance sheet

Prepared by: Inspur Electronic Information Industry Co., Ltd.

Unit: RMB

Item	December 31, 2022	January 1, 2022
Current assets:		
Monetary capital	9,009,535,556.29	7,277,279,340.91
Settlement reserves		
Lending funds		
Trading financial assets	32,761,494.45	400,068,219.18
Derivative financial assets		
Notes receivable	74,613,121.71	
Accounts receivable	11,041,407,202.22	11,969,771,797.48
Receivables financing	575,264,506.85	282,137,729.50
Advance payment	119,575,848.10	54,866,314.11
Premium receivable		
Reinsurance accounts receivable		
Reserves for reinsurance contract receivable		
Other receivables	77,860,207.20	63,026,008.69
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventory	15,024,631,936.27	22,402,228,567.57
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	1,624,227,596.25	1,306,540,438.48
Total current assets	37,579,877,469.34	43,755,918,415.92
Non-current assets:		
Loan granted and advances		
Creditor's right investment		
Other creditor's right investments		
Long-term receivables		
Long-term equity investment	360,126,122.18	306,872,633.81
Other equity instrument investments		
Other non-current financial assets		
Investment property	89,127,311.79	92,615,702.43
Fixed assets	1,215,186,230.72	979,437,091.63
Construction in progress	841,195,769.28	121,384,942.40
Productive biological assets		
Oil-gas assets		
Right-of-use assets	60,107,052.06	54,564,151.39
Intangible assets	380,898,235.99	398,902,390.93

Development expenditure		
Goodwill	643,015.39	643,015.39
Long-term unamortized expenses	90,070,482.95	84,408,961.85
Deferred income tax assets	353,799,123.88	379,835,798.95
Other non-current assets	42,394,838.38	33,579,458.06
Total non-current assets	3,433,548,182.62	2,452,244,146.84
Total assets	41,013,425,651.96	46,208,162,562.76
Current liabilities:		
Short-term borrowings	4,954,374,375.02	4,558,032,922.89
Borrowings from the central bank		
Borrowing funds		
Trading financial liabilities		3,016,539.09
Derivative financial liabilities		
Notes payable	1,201,414,222.43	1,543,741,666.65
Accounts payable	9,301,153,769.05	17,753,554,347.60
Advance receipt		
Contract liabilities	1,697,983,684.48	1,687,428,845.01
Financial assets sold for repurchase		
Deposits from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	591,772,637.16	463,960,415.31
Taxes payable	268,219,887.06	317,864,605.11
Other payables	193,142,713.87	161,568,047.13
Including: Interest payable		
Dividends payable		
Fees and commissions payable		
Reinsurance accounts payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	107,073,889.56	21,392,229.28
Other current liabilities	328,412,236.98	2,148,036,920.62
Total current liabilities	18,643,547,415.61	28,658,596,538.69
Non-current liabilities:		
Reserves for insurance contract		
Long-term borrowings	4,221,529,691.11	1,510,288,931.61
Bonds payables		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	44,036,600.84	39,318,738.03
Long-term payables	735,000.00	735,000.00

Long-term payroll payable		
Estimated liabilities	320,651,646.27	304,254,473.75
Deferred incomes	147,699,033.00	114,958,805.96
Deferred income tax liabilities	16,457,392.80	14,429,106.73
Other non-current liabilities		
Total non-current liabilities	4,751,109,364.02	1,983,985,056.08
Total liabilities	23,394,656,779.63	30,642,581,594.77
Owners' equities:		
Share capital	1,463,709,516.00	1,453,721,310.00
Other equity instruments	999,697,169.81	999,697,169.81
Including: Preferred shares		
Perpetual bonds	999,697,169.81	999,697,169.81
Capital reserves	6,704,525,315.36	6,548,512,035.69
Minus: Treasury shares		
Other comprehensive incomes	75,661,169.53	-34,137,448.58
Special reserves		
Surplus reserves	732,093,402.35	565,764,689.46
General risk reserves		
Undistributed profits	7,288,797,830.35	5,628,296,600.21
Total owners' equities attributable to the parent company	17,264,484,403.40	15,161,854,356.59
Minority equity	354,284,468.93	403,726,611.40
Total owners' equities	17,618,768,872.33	15,565,580,967.99
Total liabilities and owners' equities	41,013,425,651.96	46,208,162,562.76

Legal representative: Peng Zhen

Principal in charge of the accounting work: Wu Long

Person in charge of accounting organization: Xu Yanyan

2. Balance sheet of parent company

Unit: RMB

Item	December 31, 2022	January 1, 2022
Current assets:		
Monetary capital	3,672,149,331.66	3,910,548,365.44
Trading financial assets	24,000,000.00	400,068,219.18
Derivative financial assets		
Notes receivable	74,342,371.71	
Accounts receivable	15,932,761,244.55	13,913,650,112.05
Receivables financing	158,607,814.85	191,569,653.21
Advance payment	3,218,775,935.74	624,458,075.61
Other receivables	74,457,902.89	529,535,452.12
Including: Interest receivable		
Dividends receivable		
Inventory	7,551,486,973.68	15,930,828,021.50
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	730,312,745.10	752,903,561.08
Total current assets	31,436,894,320.18	36,253,561,460.19
Non-current assets:		
Creditor's right investment		
Other creditor's right investments		
Long-term receivables		
Long-term equity investment	2,940,391,972.56	2,728,128,484.19
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	474,894,088.24	467,936,149.13
Construction in progress	827,503,888.76	
Productive biological assets		
Oil-gas assets		
Right-of-use assets	10,485,008.90	20,373,440.50
Intangible assets	121,033,163.30	212,030,995.91
Development expenditure		
Goodwill		
Long-term unamortized expenses	31,622,270.07	26,265,701.03
Deferred income tax assets	232,426,279.17	289,723,056.32
Other non-current assets	18,475,345.66	8,953,245.22
Total non-current assets	4,656,832,016.66	3,753,411,072.30
Total assets	36,093,726,336.84	40,006,972,532.49
Current liabilities:		
Short-term borrowings	4,954,374,375.02	4,558,032,922.89

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Trading financial liabilities		
Derivative financial liabilities		
Notes payable	1,201,414,222.43	1,543,741,666.65
Accounts payable	6,989,348,959.08	13,204,136,634.98
Advance receipt		
Contract liabilities	598,423,402.60	850,320,848.15
Payroll payable	283,254,328.14	233,709,990.26
Taxes payable	50,158,765.99	205,052,677.16
Other payables	1,822,977,679.29	1,904,738,088.62
Including: Interest payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	96,078,718.80	16,687,674.16
Other current liabilities	254,405,458.64	2,112,354,017.53
Total current liabilities	16,250,435,909.99	24,628,774,520.40
Non-current liabilities:		
Long-term borrowings	4,038,197,819.45	1,370,000,000.00
Bonds payables		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	371,405.17	9,971,947.05
Long-term payables	735,000.00	735,000.00
Long-term payroll payable		
Estimated liabilities	320,651,646.27	304,254,473.75
Deferred incomes	102,765,014.61	66,327,152.75
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	4,462,720,885.50	1,751,288,573.55
Total liabilities	20,713,156,795.49	26,380,063,093.95
Owners' equities:		
Share capital	1,463,709,516.00	1,453,721,310.00
Other equity instruments	999,697,169.81	999,697,169.81
Including: Preferred shares		
Perpetual bonds	999,697,169.81	999,697,169.81
Capital reserves	6,967,403,992.25	6,811,390,712.58
Minus: Treasury shares		
Other comprehensive incomes	18,034,531.08	18,034,531.08
Special reserves		
Surplus reserves	731,854,758.00	562,476,098.78
Undistributed profits	5,199,869,574.21	3,781,589,616.29
Total owners' equities	15,380,569,541.35	13,626,909,438.54
Total liabilities and owners' equities	36,093,726,336.84	40,006,972,532.49

3. Consolidated profit statement

Unit: RMB

Item	2022	2021
I. Total operating incomes	69,525,458,182.69	67,047,551,558.14
Including: Operating income	69,525,458,182.69	67,047,551,558.14
Interest income		
Earned premium		
Incomes from fees and commissions		
II. Total operating costs	67,389,376,695.75	64,506,349,924.14
Including: Operating cost	61,753,123,449.87	59,379,318,169.68
Interest expenditure		
Fee and commission expenses		
Surrender value		
Net amount of compensation payout		
Withdrawal of the company's net reserve fund for insurance contract		
Bond insurance expenses		
Reinsurance expenses		
Taxes and surcharges	105,073,144.72	82,418,299.75
Sales expenses	1,508,901,480.78	1,460,708,162.61
Management expenses	708,341,433.17	723,675,429.67
R&D expenses	3,230,426,011.38	2,921,294,813.57
Financial expenses	83,511,175.83	-61,064,951.14
Including: Interest expenses	359,727,643.53	239,056,415.85
Interest income	139,560,832.31	117,306,361.98
Plus: Other incomes	330,937,472.74	361,342,875.59
Return on investment (the loss is expressed with "-")	74,700,957.03	148,225,407.88
Including: Return on investment in associated enterprises and joint ventures	58,529,900.30	6,785,032.27
Income from derecognition of financial assets measured at the amortized cost		
Exchange gain (the loss is expressed with "-")		
Income from net exposure hedging (the loss is expressed with "-")		
Income from change in fair value (the loss is expressed with "-")	8,388,352.17	531,719.52
Credit impairment loss (the loss is expressed with "-")	-1,247,622.09	-170,502,032.79
Asset impairment loss (the loss is expressed with "-")	-392,985,374.64	-725,284,060.76
Income from asset disposal (the loss is expressed with "-")	242,416.85	-2,179,205.00
III. Operating profit (the loss is expressed with "-")	2,156,117,689.00	2,153,336,338.44
Plus: Non-operating income	6,722,925.64	7,742,056.98
Minus: Non-operating expenditure	2,890,149.81	1,524,866.43
IV. Total profits (the total losses are expressed with "-")	2,159,950,464.83	2,159,553,528.99
Minus: Income tax expenses	104,281,847.35	129,623,800.32
V. Net profit (the net loss is expressed with "-")	2,055,668,617.48	2,029,929,728.67
(I) Classification by business continuity		
1. Net profits from continuing operation (the net loss is expressed with "-")	2,055,668,617.48	2,029,929,728.67
2. Net profits from discontinuing operation (the net loss is expressed with "-")		

(II) Classification by the attribution of the ownership		
1. Net profits attributable to the shareholders of the parent company	2,080,350,926.43	2,002,738,391.78
2. Minority shareholders' profit and loss	-24,682,308.95	27,191,336.89
VI. After-tax net amount of other comprehensive incomes	109,798,618.11	-26,891,347.55
After-tax net amount of other comprehensive incomes attributable to the owners of the parent company	109,798,618.11	-26,891,347.55
(I) Other comprehensive incomes that cannot be reclassified into profits and losses		-868,816.55
1. Re-measurement of changed amount in the defined benefit plan		
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method		
3. Changes in fair value of other equity instrument investments		-868,816.55
4. Changes in fair value of enterprise credit risk		
5. Others		
(II) Other comprehensive incomes that will be reclassified into profits and losses	109,798,618.11	-26,022,531.00
1. Other comprehensive incomes that can be transferred into the profits and losses under the equity method		
2. Changes in fair value of other creditor's right investments		
3. Amounts of financial assets reclassified into other comprehensive incomes		
4. Credit impairment reserves of other creditor's right investments		
5. Cash flow hedging reserves		
6. Translation balance of foreign currency financial statements	109,798,618.11	-26,022,531.00
7. Others		
After-tax net amount of other comprehensive incomes attributable to the minority shareholders		
VII. Total comprehensive incomes	2,165,467,235.59	2,003,038,381.12
Total comprehensive incomes attributable to the owners of the parent company	2,190,149,544.54	1,975,847,044.23
Total comprehensive incomes attributable to minority shareholders	-24,682,308.95	27,191,336.89
VIII. Earnings per share		
(I) Basic earnings per share	1.3927	1.3777
(II) Diluted earnings per share	1.3894	1.3688

As for the business combination under the same control in the current period, the net profit achieved by the combined party before the combination is: RMB, and the net profit achieved by the combined party for the last period is: RMB.

Legal representative: Peng Zhen Principal in charge of the accounting work: Wu Long Person in charge of accounting organization: Xu Yanyan

4. Profit statement of parent company

Unit: RMB

Item	2022	2021
I. Operating income	71,135,337,206.38	66,592,506,119.22
Minus: Operating cost	65,449,211,046.28	60,634,605,903.93
Taxes and surcharges	46,460,265.10	38,020,742.15
Sales expenses	839,592,600.27	930,072,576.46
Management expenses	382,903,083.81	441,033,511.82
R&D expenses	2,559,730,872.28	2,278,343,270.89
Financial expenses	221,770,893.21	101,131,628.28
Including: Interest expenses	389,522,857.08	272,905,920.91
Interest income	98,146,077.14	86,609,974.99
Plus: Other incomes	203,790,263.73	141,605,328.51
Return on investment (the loss is expressed with "-")	78,893,238.09	188,591,516.75
Including: Return on investment in associated enterprises and joint ventures	58,529,900.30	6,785,032.27
Income from derecognition of financial assets measured at the amortized cost (the loss is expressed with "-")		
Income from net exposure hedging (the loss is expressed with "-")		
Income from change in fair value (the loss is expressed with "-")		68,219.18
Credit impairment loss (the loss is expressed with "-")	125,369,104.11	-252,302,623.01
Asset impairment loss (the loss is expressed with "-")	-143,920,396.83	-626,974,494.26
Income from asset disposal (the loss is expressed with "-")	-22,091.30	-2,180,345.12
II. Operating profit (the loss is expressed with "-")	1,899,778,563.23	1,618,106,087.74
Plus: Non-operating income	2,503,178.93	6,275,832.15
Minus: Non-operating expenditure	1,088,862.24	1,159,865.19
III. Total profits (the total losses are expressed with "-")	1,901,192,879.92	1,623,222,054.70
Minus: Income tax expenses	60,013,279.38	43,313,627.54
IV. Net profit (the net loss is expressed with "-")	1,841,179,600.54	1,579,908,427.16
(I) Net profits from continuing operation (the net loss is expressed with "-")	1,841,179,600.54	1,579,908,427.16
(II) Net profits from discontinuing operation (the net loss is expressed in with "-")		
V. After-tax net amount of other comprehensive incomes		-868,816.55
(I) Other comprehensive incomes that cannot be reclassified into profits and losses		-868,816.55
1. Re-measurement of changed amount in the defined benefit plan		
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method		
3. Changes in fair value of other equity instrument investments		-868,816.55
4. Changes in fair value of enterprise credit risk		
5. Others		

(II) Other comprehensive incomes that will be reclassified into profits and losses		
1. Other comprehensive incomes that can be transferred into the profits and losses under the equity method		
2. Changes in fair value of other creditor's right investments		
3. Amounts of financial assets reclassified into other comprehensive incomes		
4. Credit impairment reserves of other creditor's right investments		
5. Cash flow hedging reserves		
6. Translation balance of foreign currency financial statements		
7. Others		
VI. Total comprehensive incomes	1,841,179,600.54	1,579,039,610.61
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	2022	2021
I. Cash flow generated from operating activities:		
Cash received from sales of goods and provisions of labor services	78,166,209,765.35	74,044,757,291.45
Net increase of deposits from customers and other banks		
Net increase in borrowings from the central bank		
Net increase in borrowing funds from other financial institutions		
Cash received from the original insurance contract premium		
Net cash received from reinsurance premiums		
Net increase in policy holder deposits and investment funds		
Cash received from interests, fees and commissions		
Net increase in borrowing funds		
Net capital increase of repurchase business		
Net cash received from vicariously traded securities		
Refund of taxes and fees received	961,634,862.17	1,085,461,043.95
Other cash received related to operating activities	924,343,966.95	782,255,605.29
Subtotal of cash inflow from operating activities	80,052,188,594.47	75,912,473,940.69
Cash paid for purchasing goods and receiving labor services	71,813,527,556.34	78,257,837,411.71
Net increase in customer loans and advances		
Net increase of deposits in central bank and other banks		
Cash paid for indemnity of original insurance contract		
Net increase in lending funds		
Cash paid for interests, fees and commissions		
Cash paid for policy dividends		
Cash paid to and for employees	3,260,876,557.80	3,123,731,461.72
Various taxes and dues paid	1,044,122,738.56	1,030,259,568.62
Other cash paid related to operating activities	2,133,669,829.71	1,790,219,470.63
Subtotal of cash outflow from operating activities	78,252,196,682.41	84,202,047,912.68
Net cash flow generated from operating activities	1,799,991,912.06	-8,289,573,971.99
II. Cash flow generated from investing activities:		
Cash received from withdrawing investment	2,600,000,000.00	33,658,400,000.00
Cash received from obtaining return on investment	22,060,900.75	149,271,625.62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,995,293.84	450,781.35
Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investing activities		
Subtotal of cash inflow from investing activities	2,626,056,194.59	33,808,122,406.97
Net cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	1,123,784,200.61	194,864,195.15
Cash paid for investment	2,224,000,000.00	30,058,400,000.00
Net increase in pledged loans		
Net cash paid for disposal of subsidiaries and other business units		
Other cash paid related to investing activities		
Subtotal of cash outflow from investing activities	3,347,784,200.61	30,253,264,195.15
Net cash flow generated from investing activities	-721,728,006.02	3,554,858,211.82
III. Cash flow generated from financing activities:		
Cash received from attracting investment	157,913,536.86	35,000,000.00
Including: Cash received by subsidiaries from absorbing investments from minority shareholders		35,000,000.00
Cash received from borrowings	23,177,457,056.15	12,738,584,906.17

Other cash received related to financing activities		
Subtotal of cash inflow from financing activities	23,335,370,593.01	12,773,584,906.17
Cash paid for repaying debts	21,995,832,325.25	9,177,705,335.09
Cash paid for the distribution of dividends, profits or repayment of interests	786,035,671.02	503,427,600.20
Including: Dividends and profits paid to minority shareholders by subsidiaries	24,743,979.76	38,783,124.20
Other cash paid related to financing activities	24,798,801.88	1,019,601,071.67
Subtotal of cash outflow from financing activities	22,806,666,798.15	10,700,734,006.96
Net cash flow generated from financing activities	528,703,794.86	2,072,850,899.21
IV. Effect of exchange rate fluctuation on cash and cash equivalents	130,714,363.70	-31,771,250.38
V. Net increase in cash and cash equivalents	1,737,682,064.60	-2,693,636,111.34
Plus: Balance of cash and cash equivalents at the beginning of the period	7,258,420,031.71	9,952,056,143.05
VI. Balance of cash and cash equivalents at the end of the period	8,996,102,096.31	7,258,420,031.71

6. Cash flow statement of parent company

Unit: RMB

Item	2022	2021
I. Cash flow generated from operating activities:		
Cash received from sales of goods and provisions of labor services	78,430,082,483.94	66,527,123,320.35
Refund of taxes and fees received	80,268,519.18	72,211,867.68
Other cash received related to operating activities	1,264,038,674.63	9,286,958,422.43
Subtotal of cash inflow from operating activities	79,774,389,677.75	75,886,293,610.46
Cash paid for purchasing goods and receiving labor services	75,207,337,861.35	72,248,569,446.54
Cash paid to and for employees	1,642,221,148.93	1,490,640,567.09
Various taxes and dues paid	436,246,495.57	491,259,575.00
Other cash paid related to operating activities	2,582,780,073.27	10,034,827,189.55
Subtotal of cash outflow from operating activities	79,868,585,579.12	84,265,296,778.18
Net cash flow generated from operating activities	-94,195,901.37	-8,379,003,167.72
II. Cash flow generated from investing activities:		
Cash received from withdrawing investment	2,612,302,187.85	33,658,400,000.00
Cash received from obtaining return on investment	47,814,838.87	189,637,734.49
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,019,046.18	352,880.53
Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investing activities		
Subtotal of cash inflow from investing activities	2,661,136,072.90	33,848,390,615.02
Net cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	900,051,719.08	77,131,457.00
Cash paid for investment	2,427,500,000.00	30,123,400,000.00
Net cash paid for disposal of subsidiaries and other business units		
Other cash paid related to investing activities		
Subtotal of cash outflow from investing activities	3,327,551,719.08	30,200,531,457.00
Net cash flow generated from investing activities	-666,415,646.18	3,647,859,158.02
III. Cash flow generated from financing activities:		
Cash received from attracting investment	157,913,536.86	
Cash received from borrowings	22,700,000,000.00	12,171,526,931.41
Other cash received related to financing activities		
Subtotal of cash inflow from financing activities	22,857,913,536.86	12,171,526,931.41
Cash paid for repaying debts	21,552,349,713.75	9,157,435,240.33
Cash paid for the distribution of dividends, profits or repayment of interests	756,255,808.56	460,202,815.19
Other cash paid related to financing activities	12,623,807.73	1,010,512,020.40
Subtotal of cash outflow from financing activities	22,321,229,330.04	10,628,150,075.92
Net cash flow generated from financing activities	536,684,206.82	1,543,376,855.49
IV. Effect of exchange rate fluctuation on cash and cash equivalents	-7,389,177.16	-1,759,765.90
V. Net increase in cash and cash equivalents	-231,316,517.89	-3,189,526,920.11
Plus: Balance of cash and cash equivalents at the beginning of the period	3,896,689,056.24	7,086,215,976.35
VI. Balance of cash and cash equivalents at the end of the period	3,665,372,538.35	3,896,689,056.24

7. Consolidated statement of changes in owners' equities

Amount of the current period

Unit: RMB

Item	2022														
	Owners' equities attributable to the parent company											Minority equity	Total owners' equities		
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserves	Undistributed profits			Others	Subtotal
	Preferred shares	Perpetual bonds	Others												
I. Ending balance of the last year	1,453,721,310.00		999,697,169.81		6,548,512,035.69		34,137,448.58		565,764,689.46		5,628,296,600.21		15,161,854,356.59	403,726,611.40	15,565,580,967.99
Plus: Changes in accounting policies															
Early error correction															
Business combination under the same control															
Others															
II. Beginning balance of the current year	1,453,721,310.00		999,697,169.81		6,548,512,035.69		34,137,448.58		565,764,689.46		5,628,296,600.21		15,161,854,356.59	403,726,611.40	15,565,580,967.99
III. Increase/decrease amount of the current period (the decrease is expressed with "-")	9,988,206.00				156,013,279.67		109,798,618.11		166,328,712.89		1,660,501,230.14		2,102,630,046.81	49,442,142.47	2,053,187,904.34
(I) Total comprehensive incomes							109,798,618.11				2,080,350,926.43		2,190,149,544.54	24,682,308.95	2,165,467,235.59

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

(II) Owner's capital input and reduction	9,988,206.00			155,452,213.00						165,440,419.00	15,853.76	165,424,565.24
1. Common shares contributed by owners	9,988,206.00			147,925,330.86						157,913,536.86		157,913,536.86
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment included into owners' equities				7,526,882.14						7,526,882.14		7,526,882.14
4. Others											15,853.76	15,853.76
(III) Profit distribution							166,328,712.89	419,849,696.29		253,520,983.40	24,743,979.76	278,264,963.16
1. Withdrawal of surplus reserves							166,328,712.89	166,328,712.89				
2. Withdrawal of general risk reserves												
3. Distribution to owners (or shareholders)								203,520,983.40		203,520,983.40	24,743,979.76	228,264,963.16
4. Others								50,000,000.00		50,000,000.00		50,000,000.00
(IV) Internal carry-over of owners' equities												
1. Increased capital (or share capital) transferred from capital reserves												
2. Increased capital (or share capital) transferred from surplus reserves												
3. Recovery of losses by surplus reserves												
4. Carry-over of retained earnings of changes in the defined benefit plan												
5. Carry-over of retained earnings by other comprehensive incomes												
6. Others												
(V) Special reserves												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others				561,066.67						561,066.67		561,066.67
IV. Ending balance of the current period	1,463,709,516.00	999,697,169.81	6,704,525,315.36	75,661,169.53	732,093,402.35	7,288,797,830.35	17,264,484,403.40	354,284,468.93	17,618,768,872.33			

Amount of the last period

Unit: RMB

Item	2021													Minority equity	Total owners' equities
	Owners' equities attributable to the parent company														
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal		
	Preferred shares	Perpetual bonds	Others												
I. Ending balance of the last year	1,453,721,310.00		1,996,516,981.13		6,538,107,510.94		7,246,101.03		407,773,846.74		4,058,458,395.22		14,447,331,943.00	380,318,398.71	14,827,650,341.71
Plus: Changes in accounting policies															
Early error correction															
Business combination under the same control															
Others															
II. Beginning balance of the current year	1,453,721,310.00		1,996,516,981.13		6,538,107,510.94		7,246,101.03		407,773,846.74		4,058,458,395.22		14,447,331,943.00	380,318,398.71	14,827,650,341.71
III. Increase/decrease amount of the current period (the decrease is expressed with "-")			996,819,811.32		10,404,524.75		26,891,347.55		157,990,842.72		1,569,838,204.99		714,522,413.59	23,408,212.69	737,930,626.28

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

(I) Total comprehensive incomes				26,022,531.00		2,002,738,391.78	1,976,715,860.78	27,191,336.89	2,003,907,197.67
(II) Owner's capital input and reduction		996,819,811.32	9,864,878.17				986,954,933.15	35,000,000.00	951,954,933.15
1. Common shares contributed by owners								35,000,000.00	35,000,000.00
2. Capital invested by holders of other equity instruments		996,819,811.32	3,180,188.68				1,000,000,000.00		1,000,000,000.00
3. Amount of share-based payment included into owners' equities			13,045,066.85				13,045,066.85		13,045,066.85
4. Others									
(III) Profit distribution					157,990,842.72	432,900,186.79	274,909,344.07	38,783,124.20	313,692,468.27
1. Withdrawal of surplus reserves					157,990,842.72	157,990,842.72			
2. Withdrawal of general risk reserves									
3. Distribution to owners (or shareholders)						159,909,344.07	159,909,344.07	38,783,124.20	198,692,468.27
4. Others						115,000,000.00	115,000,000.00		115,000,000.00
(IV) Internal carry-over of owners' equities									
1. Increased capital (or share capital) transferred from capital reserves									
2. Increased capital (or share capital) transferred from surplus reserves									
3. Recovery of losses by surplus reserves									
4. Carry-over of retained earnings of changes in the defined benefit plan									
5. Carry-over of retained earnings by other comprehensive incomes									
6. Others									
(V) Special reserves									
1. Withdrawal in the current period									
2. Use in the current period									
(VI) Others			539,646.58	868,816.55			329,169.97		329,169.97
IV. Ending balance of the current period	1,453,721,310.00	999,697,169.81	6,548,512,035.69	34,137,448.58	565,764,689.46	5,628,296,600.21	15,161,854,356.59	403,726,611.40	15,565,580,967.99

8. Statement of changes in owners' equities of parent company

Amount of the current period

Unit: RMB

Item	2022											
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equities
		Preferred shares	Perpetual bonds	Others								
I. Ending balance of the last year	1,453,721,310.00		999,697,169.81		6,811,390,712.58		18,034,531.08		562,476,098.78	3,781,589,616.29		13,626,909,438.54
Plus: Changes in accounting policies												
Early error correction												
Others												
II. Beginning balance of the current year	1,453,721,310.00		999,697,169.81		6,811,390,712.58		18,034,531.08		562,476,098.78	3,781,589,616.29		13,626,909,438.54
III. Increase/decrease amount of the current period (the decrease is expressed with "-")	9,988,206.00				156,013,279.67				169,378,659.22	1,418,279,957.9		1,753,660,102.8
										2		1
(I) Total comprehensive incomes										1,841,179,600.54		1,841,179,600.54
(II) Owner's capital input and reduction	9,988,206.00				155,452,213.00							165,440,419.00
1. Common shares contributed by owners	9,988,206.00				147,925,330.86							157,913,536.86
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment included into owners' equities					7,526,882.14							7,526,882.14
4. Others												

(III) Profit distribution					169,378,659.22	422,899,642.62	253,520,983.40
1. Withdrawal of surplus reserves					169,378,659.22	169,378,659.22	
2. Distribution to owners (or shareholders)						203,520,983.40	203,520,983.40
3. Others						50,000,000.00	50,000,000.00
(IV) Internal carry-over of owners' equities							
1. Increased capital (or share capital) transferred from capital reserves							
2. Increased capital (or share capital) transferred from surplus reserves							
3. Recovery of losses by surplus reserves							
4. Carry-over of retained earnings of changes in the defined benefit plan							
5. Carry-over of retained earnings by other comprehensive incomes							
6. Others							
(V) Special reserves							
1. Withdrawal in the current period							
2. Use in the current period							
(VI) Others			561,066.67				561,066.67
IV. Ending balance of the current period	1,463,709,516.00	999,697,169.81	6,967,403,992.25	18,034,531.08	731,854,758.00	5,199,869,574.21	15,380,569,541.35

Amount of the last period

Unit: RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equities
		Preferred shares	Perpetual bonds	Others								
I. Ending balance of the last year	1,453,721,310.00		1,996,516,981.13		6,800,986,187.83		18,903,347.63		404,485,256.06	2,634,581,375.92		13,309,194,458.57
Plus: Changes in accounting policies												
Early error correction												
Others												
Beginning balance of the current year	1,453,721,310.00		1,996,516,981.13		6,800,986,187.83		18,903,347.63		404,485,256.06	2,634,581,375.92		13,309,194,458.57
II. Increase/decrease amount of the current period (the decrease is expressed with "-")			996,819,811.32		10,404,524.75		868,816.55		157,990,842.72	1,147,008,240.37		317,714,979.97
(I) Total comprehensive incomes										1,579,908,427.16		1,579,908,427.16
(II) Owner's capital input and reduction			996,819,811.32		9,864,878.17							986,954,933.15
1. Common shares contributed by owners												
2. Capital invested by holders of other equity instruments			996,819,811.32		3,180,188.68							1,000,000,000.00
3. Amount of share-based payment included into owners' equities					13,045,066.85							13,045,066.85
4. Others												

(III) Profit distribution								157,990,842.72	432,900,186.79		274,909,344.07	
1. Withdrawal of surplus reserves								157,990,842.72	157,990,842.72			
2. Distribution to owners (or shareholders)									159,909,344.07		159,909,344.07	
3. Others									115,000,000.00		115,000,000.00	
(IV) Internal carry-over of owners' equities												
1. Increased capital (or share capital) transferred from capital reserves												
2. Increased capital (or share capital) transferred from surplus reserves												
3. Recovery of losses by surplus reserves												
4. Carry-over of retained earnings of changes in the defined benefit plan												
5. Carry-over of retained earnings by other comprehensive incomes												
6. Others												
(V) Special reserves												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others				539,646.58		868,816.55					329,169.97	
IV. Ending balance of the current period	1,453,721,310.00		999,697,169.81		6,811,390,712.58		18,034,531.08		562,476,098.78	3,781,589,616.29		13,626,909,438.54

III. Company Profile**1. Company Overview**

(1) Registered address, organization form and headquarters address of the Company.

Registered address: East side of Floor 9, No. 801, Caoshanling South Road, High-tech Zone, Jinan City, Shandong Province

Organization form: Limited liability company

Headquarters address: Building C, No. 2-1, No. 2, Shangdi Information Road, Haidian District, Beijing

Registered capital: RMB 1,463,709,516.00

Social credit code: 91370000706266601D

Legal representative: Peng Zhen

(2) Business nature and main operating activities of the Company.

Industry nature: Computer, communications and other electronic equipment manufacturing industry.

Main operating activities: Manufacturing and sales of computer software, hardware, and peripheral equipment; manufacturing and sales of Internet equipment; manufacturing and sales of communication equipment; manufacturing and sales of cloud computing equipment; information technology consulting services; network technology services; manufacturing and sales of information security equipment.

(3) Parent company name.

The Company's parent company is Inspur Group Co., Ltd.

(4) The financial statement has been approved by the Board of Directors of the Company on April 11, 2023.

(5) Business term: from October 28, 1998 to non-fixed term.

2. Consolidated statement scope

As of December 31, 2022, the subsidiaries within the scope of our consolidated financial statements are as follows:

S/N	Subsidiary name
1	Inspur (Beijing) Electronic Information Industry Co., Ltd.
2	Beijing Inspur Anda Technology Investment Co., Ltd.
3	Shenzhen Tianhecheng Industrial Development Co., Ltd.
4	Inspur Electronic Information (Hong Kong) Co., Ltd.
5	Inspur (Hong Kong) Electronics Co., Ltd.
6	Inspur Information (Hong Kong) International Co., Ltd.
7	InspurSystems, Inc.
8	InspurAssetHoldingsJnc
9	InspurHungaryKFT
10	Jinan Oriental Joint Technology Development Co., Ltd.
11	Shandong Yingxin Computer Technology Co., Ltd.
12	Zhengzhou Yunhai Information Technology Co., Ltd.
13	Shandong Inspur Import and Export Co., Ltd.
14	Guangdong Inspur Intelligent Computing Technology Co., Ltd.
15	Jinan Inspur Yunhai Computer Technology Co., Ltd.
16	Guizhou Inspur Yingxin Technology Co., Ltd.
17	Inspur (Qingdao) Electronic Information Industry Co., Ltd. f
18	Inspur Power Commercial Systems Co., Ltd.

19	Shaanxi Inspur Yingxin Technology Co., Ltd.
20	Shanxi Inspur Electronic Information Industry Co., Ltd.
21	Suzhou Inspur Intelligent Technology Co., Ltd.
22	Inspur (Xiamen) Computer Technology Co., Ltd.
23	Guiyang Inspur Intelligent Technology Co., Ltd.
24	Dongsheng Technology Information Co., Ltd.
25	Inspur (Nanning) Computer Technology Co., Ltd.
26	Inspur (Changchun) Computer Technology Co., Ltd.
27	Inspur (Beijing) Computer Technology Co., Ltd.
28	Inspur (Chengdu) Computer Technology Co., Ltd.
29	Yunnan Inspur Computer Technology Co., Ltd.
30	Fuzhou Inspur Computer Technology Co., Ltd.
31	Inspur (Jinan) Computer Technology Co., Ltd.
32	Inspur (Zhengzhou) Computer Technology Co., Ltd.
33	Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd.
34	ElectronicChannelLimited
35	ElectronicSupplyChainLimited
36	Inspur (Shandong) Computer Technology Co., Ltd.
37	ELECTRONICINFORMATIONSSINGAPOREPTE.LTD.
38	Suzhou Intelligent Computing Technology Co., Ltd.

For the changes in the scope of the consolidated financial statement, refer to "Note VIII. Changes in the Consolidation Scope and Note IX. Equity in Other Entities".

IV. Preparation Basis of the Financial Statements

1. Preparation basis

The financial statements of the Company are based on going-concern and are prepared in accordance with the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and relevant regulations, as well as the disclosure provisions of the China Securities Regulatory Commission's *Disclosure of Company Information Disclosure Rules No. 15. - General Provisions on Financial Reporting* (revised in 2014), based on actual transactions and events, and following important accounting policies and estimates.

The Company's accounting is based on the accrual basis. Except for certain financial instruments, these financial statements are measured based on historical cost. In case of the asset impairments, corresponding impairment reserves shall be calculated and withdrawn in accordance with relevant regulations.

2. Going-concern

The Company has the going-concern ability for at least 12 months from the end of the reporting period and has no significant events affecting its going-concern ability.

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policy and accounting estimate prompt:

The following disclosure content has covered the specific accounting policies and estimates formulated by the Company based on the actual production and operation characteristics. Refer to "Note V. 15. Inventory, and Note V. 36. Revenue" for details.

1. Declaration of complying with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of Accounting Standards for Business Enterprises, presenting the Company's financial condition as of December 31, 2022, operating results and cash flow of 2022 and other relevant information truly and completely.

2. Accounting period

The Company takes the calendar year as the fiscal year, namely, from January 1 to December 31.

3. Operating cycle

The normal operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents of the Company. The Company takes 12 months as an operating cycle, and uses it as a standard for classifying the liquidity of assets and liabilities.

4. Recording currency

The Company uses RMB as its recording currency.

5. Accounting treatment methods for business combination under the same control and not under the same control

Business combination refers to the transaction or event of two or more separate enterprises combining into a reporting entity. Business combination is divided into the business combination under the same control and business combination not under the same control.

(1) Business combination under the same control

The enterprises participating in the combination are ultimately controlled by the same party or the same parties before and after the combination, and the control is not temporary, which is a business combination under the same control.

For business combination under the same control, the parties which have obtained the control rights for other combining enterprises on the combination date shall be considered as the combining party, and other participating enterprises are the combined party. The combination date refers to the day when the combining party actually obtains the control rights of the combined party.

For business combination under the same control, the assets and liabilities of the combining party obtained by the Company as combining party are measured by the book value of the combined party in the consolidated financial statement of the ultimate controlling party on the combination date, except for the adjustment due to different accounting policies. The difference between the book value of the combination consideration paid by the Company (or the total face value of the issued shares) and the book value of the net assets obtained in the combination shall be adjusted to the capital reserves. If the capital reserves are insufficient to offset, the retained earnings shall be adjusted.

The Company, as the combining party, incurs intermediary fees such as auditing, legal services, evaluation and consulting, as well as other related management expenses during the combination, which are recognized in the current profits and losses at the time of occurrence. The transaction expenses directly related to the issuance of equity instruments as combination consideration are offset against the capital reserves (share capital premiums). If the capital reserves (share capital premiums) are insufficient to offset, the surplus reserves and undistributed profits are sequentially offset. The transaction expenses directly related to the issuance of debt instruments as combination consideration are included in the initial recognition amount of debt instruments.

(2) Business combination not under the same control

If the parties involved in the combination are not ultimately controlled by the same party or the same parties before and after the combination, they are business combination not under the same control. For business combination not under the same control, the parties which have obtained the control rights for other combining enterprises on the acquisition date shall be considered as the acquirer, and other participating enterprises are the acquiree. The acquisition date refers to the day when the acquirer obtains the control right over the acquiree.

For business combination not under the same control, the combination cost of the Company as the combining party is the sum of the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued by the Company on the acquisition date to obtain control right over the acquiree. The intermediary fees for auditing, legal services, evaluation and consulting, as well as other related management expenses incurred by the Company for business combination, should be recognized in the current profits and losses at the time of occurrence. The transaction expenses in issuing equity instrument or debt instrument as combination consideration of the Company shall be included in the initial recognition amount of equity instrument or debt instrument. Contingent consideration involved shall be included into the combination costs according to the fair value on the acquisition date; if new or further proofs appearing within 12 months after the acquisition date show that the contingent consideration needs to be adjusted, the combination goodwill shall be adjusted correspondingly.

The combination costs incurred by the Company as the combining party in a combination not under the same control and the identifiable net assets obtained in the combination are measured at fair value on the acquisition date. If the combination costs exceed the difference in the fair value share of the identifiable net assets obtained from the acquiree on the acquisition date, they are recognized as goodwill; if the combination cost is lower than the fair value share of the acquiree's identifiable net assets obtained during combination, the measurement of all identifiable assets, liabilities or fair value of contingent liabilities obtained from the acquiree as well as the combination costs shall be re-checked by the Company firstly. If the combination cost is still lower than the fair value share of the acquiree's identifiable net assets obtained during combination, the difference shall be included into the current profits and losses.

6. Methods for preparing consolidated financial statements

(1) Consolidated financial statement scope

The Company incorporates all of its subsidiaries (including the individual entities controlled by the Company) into the scope of the consolidated financial statements, including the companies controlled by the Company, the divisible parts of the investees and the structured entities. Control means that the Company may control an investee and may participate in relevant activities of the investee to enjoy variable return and also is able to use the right for the investee to influence its amount of returns.

(2) Unified accounting policies, balance sheet date and accounting period of the parent company and subsidiaries

If the subsidiaries and the Company adopt inconsistent accounting policies or the accounting periods, when consolidated financial statements are prepared, the necessary adjustment will be made to the subsidiary's financial statements according to the Company's accounting policy or accounting period.

(3) Offset matters of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company based on other relevant information. When preparing the consolidated financial statements, all significant transaction balances, transactions, and unrealized profits between the Company and its subsidiaries, and between subsidiaries are offset. The Company prepares the consolidated financial statements by treating the whole conglomerate as the accounting subject and presenting overall financial conditions, operating results and cash flows of the conglomerate in accordance with the relevant requirements for recognition, measurement and reporting in the Accounting Standards for Business Enterprises and its centralized accounting policy. The shares in the owners' equities of the subsidiaries not attributable to the parent company shall be taken as minority equity and presented in "minority equity" under the "owners' equities" item in the consolidated balance sheet. Shares of minority equity in the current net profits and losses of the subsidiaries shall presented in the "minority shareholders' profit and loss" under the "net profit" item in the consolidated profit statement. If the losses of the subsidiary shared by minority shareholders exceed the share that shall be enjoyed by minority shareholders in the subsidiary's shareholders' equities at the beginning of period, they shall be offset with minority equity. The long-term equity investment of the Company held by the subsidiary is regarded as the treasury share of the conglomerate, which is as the subtract item of the owner's equity and presented as "minus: treasury share" under the owner's equity in the consolidated balance sheet.

(4) Accounting treatment for combined subsidiaries

For subsidiaries acquired by the Company through the business combination under the same control, it shall be deemed that the combination has already occurred at the time of real-time control from the ultimate controlling party. The opening balance of the consolidated balance sheet shall be adjusted, and the revenue, expenses, and profits of the subsidiary or business from the beginning of the current period to the end of the reporting period shall be included in the consolidated profit statement. The cash flows of the subsidiary or business from the beginning of the current period to the end of the reporting period shall be included in the consolidated cash flow statement, and relevant items in the comparative statements shall be adjusted.

For subsidiaries acquired by the Company through the business combination under the same control, the beginning balance of the consolidated balance sheet shall not be adjusted, and the revenue, expenses, and profits of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated profit statement; the cash flows of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated cash flow statement.

(5) Accounting treatment methods for the disposal of subsidiary equity to the loss of control right**① General disposal method**

If the Company disposes its subsidiaries or businesses in the reporting period, the revenue, expenses, and profits of the subsidiaries from the beginning of the business period to the disposal date shall be included into the Company's consolidated profit statement; the cash flows of the subsidiary or business from the beginning of the period to the disposal date shall be included in the Company's consolidated cash flow statement.

In case of losing the control right on the investee due to disposal of partial equity investment or other reasons, the disposed residual equity investment shall be re-measured by the Company as per the fair values on the day losing the control right. The Company will recognize the difference between the consideration obtained from the disposal of equity and the fair value of the remaining equity, minus the share of net assets of the original subsidiary that should have been continuously calculated from the acquisition date or combination date based on the original shareholding ratio, and the sum of goodwill, as return on investment in the current period when losing the control right, while offsetting goodwill.

Other comprehensive incomes associated with the equity investment of the original subsidiaries shall be converted into current return on investment when the Company loses the control right.

② Step-by-step disposal of subsidiaries

If the Company disposes of its equity investment in a subsidiary through multiple transactions in a step-by-step manner until it loses control right, and the terms, conditions, and economic impact of the disposal of the equity investment in the subsidiary meet one or more of the following conditions, the Company will treat the multiple transactions as a package transaction for accounting treatment:

- i. These transactions are made at the same time or made in the case of considering mutual influence;
- ii. A complete business result can be reached only when these transactions are as a whole;
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- iv. One transaction is not economical individually, but when being considered together with other transactions, it is economical.

When the transaction which is disposed for the equity investment of the subsidiaries until losing control right is considered to be the package deal, the Company shall make the accounting treatment by considering various transactions as one transaction related to subsidiary disposal and losing the control right; however, the balance between the disposal price and the subsidiaries' net asset shares enjoyed corresponding to disposing investment before losing control right shall be recognized as other comprehensive incomes in the consolidated financial statements, which will be transferred into the current profits and losses of the period when losing the control right.

When the transactions for the equity investment of the subsidiaries until loss of control right are not considered to be the package deal, before the control right is lost, the accounting treatment shall be applied according to the related policies to the part of the disposal of the equity investment of the subsidiaries when the Company has not lost the control right; During the loss of control right, the accounting treatment shall be applied according to the general treatment method of the subsidiaries.

(6) Purchase of minority equity of subsidiaries

The Company calculates the net asset share difference which shall be enjoyed by the subsidiaries since the acquisition date (or combination date) according to the long-term equity investment and newly-increased shareholding ratio due to the purchase of minority equity, then, adjust the share capital premium about the capital reserves in the consolidated balance sheet. If the share capital premium in the capital reserves is insufficient to offset, the retained earnings shall be adjusted.

(7) Partial disposal of equity investments in subsidiaries without losing control right

Without losing the control right by the Company, concerning the balance between disposal cost acquired for partial disposal of long-term equity investment of the subsidiaries and share of net assets of the subsidiaries corresponding to disposal of long-term equity investment calculated in the sustainable way from the acquisition date or combination date, share capital premium in capital reserves shall be adjusted and combined to the consolidated balance sheet. In case that the share capital premium in capital reserves is insufficient in offset, the retained earnings shall be adjusted.

7. Classification of joint-operation arrangement and accounting treatment method of joint management

The joint-operation arrangement refers to the arrangement jointly controlled by two or more participants. The Company divides the joint-operation arrangement into joint management and joint venture according to the right enjoyed and the obligation borne in the joint-operation arrangement.

(1) Joint management

When the Company is the joint venturer based on joint-operation arrangement, enjoys related assets of the arrangement and bears related liabilities of the arrangement, it shall be deemed as joint management.

The Company recognizes the following items related to the interest shares in the joint management and should conduct accounting treatment in accordance with the provisions of relevant Accounting Standards for Business Enterprises: ① Recognize the assets separately held by the Company, and recognize the assets jointly held as per the share of the Company; ② Recognize the liabilities separately undertaken by the Company, and recognize the liabilities jointly undertaken as per the share of the Company; ③ Recognize the revenue generated from the sales of the output shares from joint management that shall be enjoyed by the Company; ④ Recognize the revenue generated from the joint management due to sales as per the share of the Company; ⑤ Recognize the expenses incurred independently and incurred by the joint management as per the share of the Company.

When the Company invests or sells assets to the joint management (the assets do not constitute business, the same below) as joint venturer, or buys assets from the date of joint management, the Company only recognizes the part belonging to other participants in the loss and gain incurred by the transaction before the assets are sold to a third party. If the asset impairment loss which conforms to the regulations in the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment* happens, as for the conditions that the Company invests or sells assets to the joint management, the Company shall recognize the loss in full. As for the conditions that the Company purchases the asset from the date of joint management, the Company recognizes the loss according to the share borne.

(2) Joint venture

Joint venture refers to the joint-operation arrangement that the Company only has the right of net assets in such arrangement. The Company adopts the equity method for accounting the investments in joint ventures. For relevant accounting policies, refer to "Note V. 21. Long-term Equity Investments".

8. Determination criteria of cash and cash equivalents

Cash determined by the Company when preparing the cash flow statement refers to the cash on hand of the Company and deposit which can be used to make payment at any time.

Cash equivalents determined by the Company when preparing the cash flow statement refers to the short-term investments with strong mobility, which is easy to be transferred into known amounts of cash and with fewer risks of value change.

9. Translation of foreign currency transaction and foreign currency financial statements**(1) Translation of foreign currency transaction**

The foreign currency transaction of the Company is converted into standard money by using the spot rate on the transaction date and included into the accounts.

On the balance sheet date, the Company's foreign currency monetary items shall be converted according to the spot exchange rate. The resulting exchange difference of foreign currency loan related to the acquisition of assets complying with capitalization conditions shall be subject to the principle of borrowing expense capitalization. While, all other exchange differences shall be included into the current profits and losses.

Foreign currency non-monetary items measured at historical cost are still converted by the Company at the spot exchange rate on the date of transaction, and the amount in recording currency does not change. For foreign currency non-monetary items measured at fair value, spot exchange rate on the fair value determination day will be used for conversion. The difference between the converted recording currency amount and the original recording currency amount shall be taken as the fair value fluctuation (including exchange rate fluctuation) and included into the current profits and losses or other comprehensive incomes.

(2) Translation of foreign currency financial statements

If the Company's holding subsidiaries, associated enterprises, joint ventures, etc. adopt different recording currency from the Company, they shall firstly conduct the translation of the foreign currency financial statements, and then conduct business accounting and prepare the consolidated financial statements.

The asset and liability items in the foreign currency balance sheet shall be converted by the Company in accordance with the spot exchange rate on the balance sheet date. Among the item of owners' equities, except for the item of "undistributed profits", other items will be translated adopting the spot exchange rate on the transaction date. The revenue and expense items in the foreign currency profit statement shall be converted by the Company adopting the approximate exchange rate of spot exchange rate on the transaction date. The translation difference of foreign currency financial statement should be presented under other comprehensive incomes of the item of owners' equities in the balance sheet.

The foreign currency cash flows of the Company and the cash flows of overseas subsidiaries are converted at an exchange rate determined by a systematic and reasonable method, which is similar to the spot exchange rate on the date of cash flow occurrence. The amount that is affected by the exchange rate fluctuation on cash shall be separately presented in the cash flow statement as an adjustment item.

During disposal of overseas business, translation difference in the foreign currency statements related to the overseas business shall be transferred into the current profits and losses in full or disposal proportion of overseas business.

10. Financial instruments

Financial instruments refer to contracts of forming the financial assets of one party and the financial liabilities or equity instruments of other parties. The Company recognizes a financial asset or financial liability and equity instrument when it becomes a party to a financial instrument contract.

(1) Classification, recognition and measurement of the financial assets

During the initial recognition of financial assets, based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company divides financial assets into:

financial assets measured at the amortized cost; financial assets measured at the fair value with the changes included into other comprehensive incomes; financial assets measured at the fair value with the changes included into the current profits and losses.

Financial assets should be measured at the fair value at the initial recognition. For financial assets measured at the fair value with the changes included into the current profits and losses, the related transaction expenses shall be directly included into the current profits and losses; for other types of financial assets, the related transaction expenses are included into the initial recognition amount. For accounts receivable or notes receivable generated from selling products or providing labor services, excluding or taking no account of the accounts receivable or notes receivable of significant financing components, the Company takes the amount of consideration anticipated to be collected as initial recognition amount.

1) Debt instruments held by the Company:

① Financial assets measured at the amortized cost

The business model of the Company to manage the financial assets targets at collecting the contractual cash flow. What's more, the contractual cash flow characteristics of the financial assets are consistent with the basic lending arrangement, that is, the cash flow generated in the specific date is the payment of the interest based on the principal and the outstanding principal amount. The Company recognizes interest income for such financial assets using the effective interest method and subsequently measures them at amortized cost. Gains or losses arising from amortization or impairment are recognized in the current profits and losses. The Company's financial assets mainly include monetary capital, notes receivable, accounts receivable, other receivables, creditor's right investment, and long-term receivables, etc. The Company presents creditor's right investment and long-term receivables due within one year (inclusive) from the balance sheet date as non-current assets due within one year; if the period of the creditor's right investment is within one year (inclusive), the creditor's right investment shall be presented as other current assets.

② Financial assets measured at the fair value with the changes included into other comprehensive incomes

The business model of the Company to manage the financial assets targets at collecting the contractual cash flow, and contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangement. Such financial assets are measured at fair value with the changes included into other comprehensive incomes, but impairment loss or gain, exchange gain or loss and interest income calculated as per effective interest method are included into the current profits and losses. Such financial assets of the Company mainly include receivables financing and other creditor's right investments. Other creditor's right investments due within one year (inclusive) from the balance sheet date shall be presented as the non-current assets due within one year; if the period of the creditor's right investment is within one year (inclusive), other creditor's right investments shall be presented as other current assets.

③ Financial assets measured at the fair value with the changes included into the current profits and losses

The Company classifies financial assets except for above-mentioned financial assets measured at the amortized cost and financial assets measured at the fair value with the changes included into other comprehensive incomes into financial assets measured at the fair value with the changes included into the current profits and losses, and presents them as trading financial assets. Furthermore, at the time of the initial recognition, to eliminate or significantly reduce the accounting mismatch, the Company designates partial financial assets as the financial assets measured at the fair value with the changes included into the current profits and losses. For such financial assets, the Company adopts the fair value for the subsequent measurement, and the changes in fair value are included into the current profits and losses. If it matures more than one year from the balance sheet date and is expected to be held for more than one year, it shall be presented as other non-current financial assets.

2) Equity instrument investments of the Company:

The Company classifies the equity instrument investments which it does not control or jointly control and does not have the significant influence into the financial assets measured at the fair value with the changes included into the current profits and losses, and presents them as the trading financial assets; If it is expected to be held for more than one year from the balance sheet date, it shall be presented as other non-current financial assets.

Furthermore, the Company designates partial non-tradable equity instrument investments as the financial assets measured at the fair value with the changes included into other comprehensive incomes, and presents them as other equity instrument investments. Such designation cannot be revoked once made. The Company includes the related dividend income of such financial assets into the current profits and losses with the changes in the fair value included into other comprehensive incomes. At the time of derecognition of such financial assets, the accumulated gain or loss included into other comprehensive incomes before will be transferred to retained earnings from other comprehensive incomes but not included into the current profits and losses.

(2) Classification, recognition and measurement of financial liabilities

The Company classifies financial instruments or its components into financial liabilities or equity instruments during the initial recognition in accordance with contract terms of the issued financial instruments and reflected economic essence in legal forms and others, in combination with definitions of financial liabilities and equity instruments.

At the time of initial recognition, the Company divides the financial liabilities into the financial liabilities measured at the fair value with the changes included into the current profits and losses and other financial liabilities.

Financial liabilities measured at the fair value with the changes included into the current profits and losses are subsequently measured at fair value, with gains or losses arising from changes in fair value and interest expenditure related to the financial liability included into the current profits and losses. The Company's financial liabilities measured at the fair value with the changes included into the current profits and losses mainly include the trading financial liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The financial liabilities of the Company are mainly the financial liabilities measured at the amortized cost, including the notes payable and accounts payable, other payables, borrowings and bonds payable. The initial measurement of such financial liabilities is conducted based on the amount after the transaction expenses are deducted from the fair value, and the subsequent measurement is conducted using the effective interest method. The liabilities due within one year (inclusive) are presented as the current liabilities; if the term is more than one year but expires within one year (inclusive) from the balance sheet date, the liabilities are presented as the non-current liabilities due within one year; others are presented as non-current liabilities.

(3) Difference between financial liabilities and equity instruments and the relevant treatment methods

The Company distinguishes between financial liabilities and equity instruments according to the following principles: (1) If the Company cannot unconditionally avoid the delivery of cash or other financial assets from fulfilling a contractual obligation, the contractual obligations shall be in line with the definition of financial liabilities. Some financial instruments do not explicitly include the terms and conditions of the delivery of cash or other obligations of financial assets, but it is possible to form contractual obligations indirectly through other terms and conditions.

(2) If a financial instrument shall be or may be settled by the Company's own equity instrument, it needs to be taken into account whether the Company's own equity instrument for the settlement of the instrument is cash or other financial assets' substitutes or for the purpose of the instrument holder's residual interests in asset after the Company's deducting all of its liabilities. In case of the former one, the instrument is the Company's financial liabilities. In case of the latter one, the instrument is the Company's equity instruments. Under some circumstances, a financial instrument contract specifies that the Company shall or can use its own financial instrument to carry out the settlement of such financial instrument, the amount of the contractual rights or obligations of which is equal to available or delivery number of its own equity instruments multiplied by the fair value at the settlement. Therefore, regardless of that the amount of the contractual rights or obligations is fixed, or changes completely or partially based on variables (such as interest rates, a commodity price or a financial instrument price) other than the market price of the Company's own equity instruments, the contract will be classified as financial liabilities.

When classifying financial instruments (or their components) in the consolidated statements, the Company takes into account all terms and conditions agreed between the Group members and the holders of financial instruments. If the Group as a whole assumes the obligation to deliver cash, other financial assets or to settle accounts in any other manner that causes the instrument to become financial liabilities, the instrument shall be classified as financial liabilities.

If the financial instruments or components thereof become financial liabilities, the relevant interests, dividends (or share dividends), gains or losses as well as gains or losses generated by redemption or refinancing asset, and so forth, shall be included into the current profits and losses by the Company.

As for financial instruments or their components pertain to equity instruments, their issuance (including refinancing), counter purchase, sell or write-off shall be served as the change handling of equities by the Company. The Company does not recognize changes in fair value of equity instruments, and transaction expenses related to equity transactions are deducted from equity; the Company considers the allocation of the equity instrument holder as the allocation of profits; issued stock dividends do not influence the total shareholders' equities.

(4) Recognition basis and measurement method for transfer of financial assets

The derecognition shall be made by the Company for financial assets in case of satisfying one of the following conditions: ① The contractual rights which will charge the financial assets' cash flow are terminated; ② The financial assets have been transferred, and the Company has transferred almost all the risks and rewards of ownership of financial assets to the transferee; ③ The financial assets have been transferred, and although the Company has neither transferred nor reserved almost all the risks and rewards of ownership of financial assets, it has waived the control on the financial assets. If the Company neither transfers nor reserves any risks and rewards of ownership of financial assets, and does not waive the control on the financial assets, it shall accord to the extent of its continued involvement in the transferred financial assets to recognize the related financial assets and relevant liabilities accordingly. The degree to which the transferred financial assets continue to be involved refers to the level of risks faced by the Group due to changes in the value of the financial assets.

When the derecognition of other equity instrument investments is made, the difference between the book value and the sum of the received consideration and the accumulated fair value change amount originally included into other comprehensive incomes is included into the retained earnings by the Company; When the derecognition of the remaining financial assets is made, the difference between the book value and the sum of the received consideration and the accumulated fair value change amount originally included into other comprehensive incomes is included into the current profits and losses.

If the Company transfers the financial assets sold in the way of attached recourse or transfers the held financial assets in the way of endorsement, it has to recognize whether almost all the risks and rewards of financial asset's ownership have been transferred. In case of transferring almost all the risks and rewards of ownership of financial assets to the transferee, the financial assets will be derecognized;

if almost all risks and rewards about the ownership of financial assets have been reserved, such financial assets shall not be derecognized; If almost all risks and rewards about the ownership of financial assets have not been transferred or retained, judgment shall be done continuously to recognize whether the Group has reserved the control of the assets, and accounting treatment shall be conducted in accordance with the above-mentioned principles.

(5) Derecognition of financial liabilities

If the current obligation of financial liabilities (or partial financial liabilities) is terminated, derecognition of such financial liabilities (or partial financial liabilities) is conducted by the Company. In case the Company (borrower) signs an agreement with the lender, for original financial liabilities that are replaced by the new financial liabilities and there are substantial differences in the contract terms between the new and the original financial liabilities, the derecognition of the original financial liabilities shall be carried out and the new financial liabilities shall be recognized at the same time. In case of material alteration of contract terms of original financial liabilities (partial financial liabilities), the Company derecognizes original financial liabilities and recognize a new financial liability as per modified terms.

Where the financial liabilities (or partial financial liabilities) are derecognized, the Company will include the balance between its book value and the paid considerations (including the non-cash assets transferred out and the liabilities assumed) into the current profits and losses.

(6) Offset of financial assets and liabilities

When the Company has the legal right to offset the recognized financial assets and liabilities and is entitled to perform the aforesaid legal right at the present, and the Company intends to settle or sell off the financial assets and pay off the financial liabilities by the net amount, the financial assets and liabilities shall be presented in the balance sheet with the amount after the mutual offset. Besides, the Company's financial assets and liabilities should be separately presented in the balance sheet and should not be offset with each other.

(7) Determination method of the fair values of financial assets and liabilities

The fair value is a price received by the market participants from selling asset or transferring liability during the orderly transaction at the measurement date. For the financial instruments where active market exists, the Company recognizes the fair value by the quotation in the active market. The quotations in the active market refer to the prices that are easily available from the exchanges, brokers, industry associations, pricing service institutions and so on regularly, and represent the prices of market transactions actually occurring in the fair dealing. Where there is no active market for financial instruments, the Company adopts valuation technique to determine its fair value. The valuation technique includes prices adopted by the parties who are familiar with the condition and willing to conduct the transaction in latest market transaction, referring to the current fair value of other substantially same financial instruments, the discount cash flow method and the option pricing models, etc. In valuation, the Company adopts applicable valuation techniques supported by sufficient utilizable data and other information in current circumstances, selects input values consistent with asset or liability features considered in relevant assets or liabilities transactions of market participants and prioritizes the applying relevant observable input values. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

To sum up, the Company divides input values used in fair value measurement into three levels, that is, firstly use the first level input value, then second level input value and finally the third level input value. The first level input value refers to the quotation (without adjustment) of the same assets or liabilities on the active market acquired on the measurement date. The second level input value is the directly or indirectly observable input value of related assets or liabilities except for the first level input value. The third level input value is the unobservable input value of related assets or liabilities.

(8) Impairment of financial assets

The Company recognizes loss reserves based on expected credit losses for financial assets measured at the amortized cost, creditor's right investment measured at the fair value with the changes included into other comprehensive incomes, contract assets, etc.

① Measurement of the expected credit losses

Considering the reasonable and well-founded information, such as, relevant past events, current situation and forecast to the future economic status, and by taking the risks of default as the weight, the Company calculates the probability weighted amount of the present value of the difference between the receivable cash flow and the cash flow expected to be received, and recognizes it as the expected credit losses.

On each balance sheet date, the Company separately measured the expected credit losses of the financial instruments in different stages. After the initial recognition, if the credit risk of the financial instrument is not increased significantly, it is in the first stage, and the Company should measure the loss reserves according to the expected credit losses of the future 12 months; if the credit risk of a financial instrument has significantly increased since initial recognition but has not yet experienced credit impairment, it is in the second stage. The Company measures the loss reserves based on the expected credit losses of the instrument over its entire lifespan; if a financial instrument has experienced credit impairment since its initial recognition and is in the third stage, the Company measures the loss reserves based on the expected credit losses of the instrument over its entire lifespan.

For the financial instrument with a lower credit risk on the balance sheet date, the Company assumes that its credit risks have not increased significantly since the initial recognition, and measures the loss reserves according to the expected credit losses of the future 12 months.

For financial instruments in the first stage and second stage, as well as those with lower credit risk, the Company calculates interest income based on their book balance without deducting impairment provisions and actual interest rate. For financial instruments in the third stage, the interest incomes should be calculated according the amortized cost after its book balance minus the calculated impairment reserves and the effective interest rate.

For the notes receivable, accounts receivable, contract assets and receivables financing formed by daily operating activities such as sales of goods and provision of labor services, the Company measures loss reserves based on expected credit losses throughout the duration regardless of whether there is a significant financing component.

A Accounts receivable:

The Company conducts separate impairment tests on notes receivable, accounts receivable, other receivables, receivables financing, etc. that have objective evidence indicating impairment, and other receivables that are suitable for individual evaluation, to recognize expected credit losses and make provisions for individual impairment. In case of notes receivable, accounts receivable, other receivables and receivables financing without impairment objective evidence or when the information on expected credit loss of single financial asset fails to be assessed with reasonable cost, the Company shall divide notes receivable, accounts receivable, other receivables, and receivables financing into several portfolios according to credit risk characteristics and calculate the expected credit loss on the basis of such portfolios. The basis for recognizing the portfolio is as follows:

a. The basis for recognizing the portfolio of notes receivable is as follows:

Notes receivable portfolio 1- bank acceptance bills	Banks with low credit risks
Notes receivable portfolio 2 - commercial acceptance bills	Enterprises with high credit risks

For notes receivable divided into portfolios, by referring to the historical credit loss experience and combining with the current situations and the forecast to the future economic status, the Company calculates the expected credit losses according to the exposure at default and the expected credit loss rate in the entire duration.

b. The basis for recognizing the portfolio of accounts receivable is as follows:

Accounts receivable from related parties within the consolidation scope	This portfolio is the accounts receivable with low risks from related parties within the consolidation scope
Accounts receivable from other dealer customers	This portfolio adopts the account age of receivables as the credit risk characteristics

For accounts receivable divided into portfolios, the Company refers to historical credit loss experience, combines current conditions with predictions of future economic conditions, and prepares a comparison table between the overdue days of accounts receivable and the expected credit loss rate for the entire existence period to calculate the expected credit loss.

c. The basis for recognizing the portfolio of other receivables is as follows:

Dividends receivable	This portfolio is dividends receivable
Interest receivable	This portfolio is interest receivable from financial institutions
Accounts receivable from related parties within the consolidation scope	This portfolio is the accounts receivable with low risks from related parties within the consolidation scope
Reserves receivable	This portfolio is the temporary reserves receivable from our employees
Deposit receivable	This portfolio includes various types of deposits receivable in daily and regular activities
Other receivables	This portfolio includes various types of advance payments and business performance bonds receivable in daily and regular activities

For other receivables divided into portfolios, by referring to the historical credit loss experience and combining with the current situations and the forecast to the future economic status, the Company calculates the expected credit losses according to the exposure at default and the expected credit loss rate in the future 12 months or the entire duration.

d. The basis for recognizing the portfolio of receivables financing is as follows:

Bank acceptance bills	Banks with low credit risks
Commercial acceptance bills	Enterprises with high credit risks
Accounts receivable	Receivable from general dealers

For receivables financing divided into portfolios, by referring to the historical credit loss experience and combining with the current situations and the forecast to the future economic status, the Company calculates the expected credit losses according to the exposure at default and the expected credit loss rate in the entire duration.

B Creditor's right investment and other creditor's right investments

As for creditor's right investment and other creditor's right investments, the Company calculates the expected credit loss pursuant to the investment nature, all kinds of counterparties and risk exposures and exposure at default and expected credit loss rate in the next 12 months or during the entire duration.

② Low credit risks

If the default risk of financial instruments is low and the borrower's ability of performing its contractual cash flow obligations within a short time is very strong which is necessarily reduced even though the adverse change of economic situation and business environment exists over a long period, this financial instrument will be deemed as with low credit risk.

③ Significant increase of credit risks

The Company recognizes the relative change in probability of default of financial instrument during the expected duration by comparing the probability of default of financial instrument during the expected duration recognized on the balance sheet date with that during the expected duration recognized at the moment of initial recognition, to assess whether the credit risk of the financial instrument has remarkably increased after initial recognition.

At the time of recognizing whether the credit risk has obviously increased after initial recognition, the Company considers that it is unnecessary to pay unnecessary extra costs or make efforts to get the reasonable and evidence-based information, including forward-looking information. The information considered by the Company includes:

A. Whether there is a significant change in internal price indicators caused by changes in credit risk;

B. Whether the expectation will cause adverse change in the business, finance or economy changes obviously from the debtor's performance of its debt repayment obligations;

C. Whether the debtor's operating results actually or will obviously change; whether the significant adverse change happens to the regulatory, economic, or technological environment where the debtor is;

D. Whether the value of collateral as mortgage of debt or the third party guarantee or credit enhancement quality remarkably changes. These change expectations will lower the debtor's economic motive of repayment as per the period set forth in the contract or influence the probability of default.

E. Whether the expectations will be changed significantly when the debtor's economic motive of repayment is lowered pursuant to the period specified in the contract;

F. The estimated changes of the loan contract include whether waiver or amendment of contractual obligations is likely caused by estimated breach of contract, whether the interest-free period will be given, whether the interest rate will rise, whether additional collateral or guarantee will be required or other change in the contract framework of financial instruments;

G. Whether the debtor's expected performance and repayment behavior obviously change;

H. Whether the contract payment exceeds the time limit for more than 30 days (inclusive).

The Company will assess whether the credit risk significantly increases on the basis of single financial instrument or financial instrument portfolio pursuant to financial instrument nature. When the assessment is based on financial instrument portfolio, the Company can classify the financial instruments based on common credit risk characteristics, such as overdue information and credit risk rating.

In general, the Company will recognize that the credit risk of the financial instrument has obviously increased in case of exceeding the time limit for more than 30 days. Excluding the rational and well-founded information that can be obtained by the Company without more cost or effort, it proves that, although the overdue exceeds the payment term (30 days) agreed in the contract, the credit risk is not obviously increased since the initial recognition.

④ Financial assets with credit impairment having occurred

The Company assesses whether the credit impairment happens as per the financial assets measured at the amortized cost and the creditor's right investment measured at the fair value with the changes included into other comprehensive incomes on the balance sheet date. When one or several events with adverse effect on the expected future cash flow of the financial assets occur, such financial assets will become those with credit impairment. The evidences showing that the credit impairment of financial assets has occurred include the following observable circumstances: major financial difficulty occurs to the issuer or the debtor; the debtor breaches any of the contract, for example, fails or delays paying interests and principal, etc.; the creditor gives the debtor concessions that it won't make under any other circumstances in consideration of the economy or contract relating to debtor's financial difficulties; the debtor is likely to go bankrupt or carries out other financial restructuring; the active market of such financial assets disappears due to the financial difficulty of the issuer or the debtor; such discount reflects the fact that the credit loss has happened when a financial asset is purchased based on a big discount or originated.

⑤ Presentation of expected credit loss reserves

To reflect the changes in the credit risk of financial instruments after the initial recognition, the Company re-measures the expected credit losses on each balance sheet date, and the increased or returned amount of loss reserves formed should be included into the current profits and losses as impairment losses or gains. As for the financial assets measured at the amortized cost, the loss reserves should be used to offset the book value of such financial assets presented in the balance sheet; as for the creditor's right investment measured at the fair value with the changes included into other comprehensive incomes, the Company will recognize its loss reserves in other comprehensive incomes and will not deduct the book value of such financial assets.

⑥ Write-off

If the Company no longer reasonably expects the contractual cash flow of the financial assets to be fully or partially recovered, the book balance of the financial assets shall be directly reduced, which constitutes the derecognition of the relevant financial asset. This usually occurs when the Company recognizes the debtor has no assets or revenues to produce sufficient cash flow to repay the amount written down. If the financial assets written down are taken back, such financial assets should be turned back and included into the current profits and losses taken back as impairment loss.

11. Notes receivable

For the determination method and accounting treatment method of expected credit losses of notes receivable, refer to "Note V. 10. Financial Instruments".

12. Accounts receivable

For the determination method and accounting treatment method of expected credit losses of accounts receivable, refer to "Note V. 10. Financial Instruments".

13. Receivables financing

When both notes receivable and accounts receivable meet the following conditions, the Company classifies them as financial assets measured at the fair value with the changes included into other comprehensive incomes. The specific accounting treatment is shown in financial instruments, which are presented as receivables financing in the financial statements:

- (1) Contractual cash flow is only the payment of principal and interest based on the principal and the outstanding principal amount;
- (2) The Company's business model for managing notes receivable and accounts receivable is aimed at both collecting contractual cash flows and selling them.

14. Other receivables

Determination method and accounting treatment method of expected credit loss of other receivables

For the determination method and accounting treatment method of expected credit losses of other receivables, refer to "Note V. 10. Financial Instruments".

15. Inventory

(1) Classification of inventory

Inventories include finished goods or goods for sale in daily activities, products in progress in the manufacturing process, and materials and supplies consumed in the process of work-in-process or providing labor services, etc. held by the Company. It mainly includes raw materials, turnover materials, commissioned processing materials, packaging materials, products in progress, finished products (inventory goods), etc.

(2) Valuation method of inventory delivered

When inventory is shipped, the Company adopts the moving weighted average method to determine the actual cost of its shipment.

(3) Calculation and withdrawal method of inventory falling price reserves

On the balance sheet date, the Company's inventory will be measured based on cost or net realizable value, whichever is lower.

The Company determines the net realizable value of inventory that can be directly sold, such as finished products, goods, and materials for sale, based on the estimated selling price of such inventory minus the estimated sales expenses and relevant taxes and fees; the net realizable value of materials and other inventories held for production shall be determined according to the amount of estimated selling price of finished products minus the estimated cost to be incurred at the time of completion, estimated sales expenses and relevant taxes and fees; as for the inventory held for performance of sales contract or labor contract, its net realizable value will be calculated based on the contract price. In case that the quantity of inventory held by the Company is larger than the quantity ordered in sales contract, the net realizable value of additional inventory shall be calculated based on general selling price.

The inventory falling price reserves will be calculated and withdrawn based on single inventory item by the Company. However, in case of some inventories related to product series produced and sold in the same region, possessing the same or similar end use or purpose and being difficult to be separately measured with other items, combine measurement cost and net realizable value; for those large-volume and low unit price inventories, the Company will measure the cost and net realizable value according to their categories.

On the balance sheet date, if the inventory cost is higher than its net realizable value, the inventory falling price reserves shall be consolidated for calculation and withdrawal and be included into the current profits and losses. If the factors causing any depreciation of inventory value have disappeared, the amount of depreciated inventory value shall be resumed and reversed by the Company from the inventory falling price reserves that has been made. The reversed amount shall be included into the current profits and losses.

(4) Inventory system

The inventory system of the Company is the perpetual inventory system.

(5) Amortization method for low-value consumables and packaging materials

The Company's low-value consumables and packaging materials adopt a one-off write-off method for amortization.

16. Contract assets

The right to receive consideration from customers that is owned and unconditional (namely, dependent only on the passage of time) is presented by the Company as a receivable. Rights to receive consideration for goods that have been transferred to the customer and that are dependent on factors other than the passage of time are presented as contract assets. If the Company sells two clearly distinguishable products to a customer, and thus has the right to collect the payment for the product that has been delivered to the customer, but the payment collection is dependent on the delivery of the other product, the Company will consider the payment collection right as a contract asset.

For the notes receivable, accounts receivable, contract assets and receivables financing formed by daily operating activities such as sales of goods and provision of labor services, the Company measures loss reserves based on expected credit losses throughout the duration regardless of whether there is a significant financing component.

17. Contract costs

The contract performance cost refers to the cost incurred by the Company in fulfilling the contract, which does not fall within the scope of other standard specifications beyond the revenue standard and meets the following conditions simultaneously:

- (1) The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer, and other costs incurred solely due to the contract;
- (2) The cost increases the resources used by the Company for the future performance obligations;
- (3) The cost is expected to be recovered.

The following expenses of the Company are recognized in the current profits and losses at the time of occurrence:

- (1) Management expenses.
- (2) Non normal consumption of direct materials, direct labor, and manufacturing expenses (or similar expenses), which are incurred in fulfilling the contract but are not reflected in the contract price.
- (3) Expenses related to the fulfilled part of the performance obligation.
- (4) Related expenses that cannot be distinguished between unfulfilled and fulfilled performance obligations.

The incremental cost incurred by the Company to obtain the contract and expected to be recovered is recognized as an asset as the contract acquisition cost; if the amortization period of the assets does not exceed one year, the assets shall be included into the current profits and losses at the time of occurrence. Incremental costs refer to costs that the Company will not incur without obtaining a contract (such as sales commissions, etc.). For expenditures incurred by the Company to obtain a contract other than incremental costs expected to be recovered (such as rate differential fees that would have been incurred regardless of whether the contract was obtained), they are recognized in the current profits and losses when incurring, except for those expressly borne by the customer.

The Company's assets related to the contract cost are amortized on the same basis as the revenue recognition of goods or services related to the assets, and included in the current profits and losses.

If the book value of the assets related to contract costs is higher than the difference between the following two, the Company will calculate and withdraw impairment reserves of the excess part and recognize it as asset impairment loss:

- 1) Remaining consideration expected to be obtained by the Company due to the transfer of goods related to the assets;
- 2) Cost estimated to be occurred arising from the transfer of the relevant goods.

If there is a change in the impairment factors of the previous period, resulting in the difference between 1) and 2) being higher than the book value of the asset, the Company will reverse the previously calculated and withdrawn asset impairment reserves and include them into the current profits and losses. However, the reversed asset book value will not exceed the book value of the asset on the reversal date assuming no impairment reserves is made.

18. Creditor's right investment

For the determination method and accounting treatment method of expected credit losses of creditor's right investment, refer to "Note V. 10. Financial Instruments".

19. Other creditor's right investments

For the determination method and accounting treatment method of expected credit losses of other creditor's right investments, refer to "Note V. 10. Financial Instruments".

20. Long-term receivables

For the determination method and accounting treatment method of expected credit losses of long-term receivables, refer to "Note V. 10. Financial Instruments".

21. Long-term equity investment

Long term equity investment refers to the long-term equity investment in which the Company has control, joint control, or significant influence over the investee.

(1) Determination of initial investment cost

① For long-term equity investment obtained by the Company through the business combination under the same control, the share of book value of the owner's equity of the combined party shall be recognized as the initial cost; for the business combination not under the same control, the combination costs determined on the acquisition date shall be recognized as the initial costs;

② For other equity investments except for long-term equity investment formed by the Company through the combination, the long-term equity investment gained after paying in cash and initial investment cost shall be the purchasing price actually paid; for long-term equity investment obtained through issuing equity securities, the initial investment cost is the fair value of issuing equity securities; the initial investment cost of a long-term equity investment obtained by debt restructuring shall be determined in accordance with *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring*; non-monetary assets are gained by exchange, and initial investment cost is recognized according to relevant provisions of the standards.

(2) Subsequent measurement and recognition method of profits and losses

① Accounting by cost method

Long-term equity investment for the investee that the Company actually controls is subject to the cost method for accounting. For the long-term equity investment accounting by the cost method, the book value shall remain unchanged in general, except for adding or recouping investment. The portion of profits or cash dividends declared to be distributed by the investee shall be recognized as return on investment by the Company.

② Accounting by equity method

Equity method shall be used in the calculation of the long-term equity investment of associated enterprises and joint ventures by the Company. When the equity method is used, if the initial investment cost of long-term equity investment is more than the attributable share of the fair value of the investee's identifiable net assets at the time of the investment, the initial investment cost of the long-term equity investment shall be not adjusted; if the initial investment cost is less than the fair value of the investee's identifiable net assets that shall be enjoyed during investment, the balance is included into the current profits and losses, and the cost of long-term equity investment can be adjusted.

When the equity method is used for accounting, the Company recognizes the return on investment and other comprehensive incomes separately based on the share of net profit and loss and other comprehensive incomes realized by the investee that should be enjoyed or shared, and adjusts the book value of the long-term equity investment accordingly; the Company will accordingly reduce the book value of the long-term equity investment in terms of the due part calculated according to the profit or cash dividend declared by the investee to be distributed; for the changes of owners' equities of the investee other than the net profits and losses, other comprehensive incomes and profit distribution, the book value of long-term equity investment shall be adjusted and included in the capital reserves. The Company shall, on the basis of the fair value of all identifiable assets of the investees when it obtains the investment, recognize the attributable share of the net profits and losses of the investees after it adjusts the net profits of the investee. If the accounting policy and accounting period adopted by the investee is different from those adopted by the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policy and accounting period of the Company to recognize the return on investment and other comprehensive incomes.

When the net loss of the investee that shall be shared is recognized by the Company, it shall be limited to writing off the book value of long-term equity investment and other long-term equity substantially constituting the net investment in the investee to the zero. Besides, if the Company is obliged to bear the extra loss for the investee, it shall be necessary to determine estimated liabilities and record them to current investment loss in compliance with obligations expected to be assumed. If the investee realizes any net profits later, the Company shall, after the amount of its attributable share of income offsets its attributable share of the unrecognized losses, resume to recognize its attributable share of income.

(3) Conversion of accounting methods for long-term equity investment

① Conversion of fair value measurement to equity method accounting: in case of accounting treatment for equity investment (without control, joint control or significant influence) of the investee originally held by the Company being conducted in light of financial instrument recognition and measurement criterion and equity investment being able to exert joint control or significant influence against the investee after increase in shareholding ratio due to additional investment, etc., when changing to business accounting conducted in line with equity method, the investor shall take fair value of original equity investment recognized as per financial instrument recognition and measurement criterion which is added with fair value of consideration paid for gaining new investment as initial investment cost whose business accounting is based on equity method.

② Conversion of fair value measurement or equity method accounting to cost method accounting: in case of long-term equity investment originally held by the Company without control, joint control or significant influence against the investee whose accounting treatment is based on financial instrument recognition and measurement criterion or long-term equity investment originally held to associated enterprises and joint ventures being able to control the investee due to additional investment, etc., accounting treatment shall be conducted based on the long-term equity investment formed after relevant business combination.

③ Conversion of equity method accounting to fair value measurement: If long-term equity investment originally held by the Company with joint control or significant influence against the investee cannot exert joint control or significant influence against the investee any more on account of decreased in shareholding ratio incurred by partial disposal, etc., accounting treatment for remaining equity investment shall be conducted based on financial instrument recognition and measurement criterion and the balance between fair value and book value on the date when the joint control or significant influence is lost shall be included into the current profits and losses.

④ Conversion of cost method to equity method or fair value measurement: if the Company loses control to the investee due to disposing equity part of investment, and the residual equity may exert joint control or significance on the investee while preparing individual financial statement, it will be measured and adjusted with equity method; in case of the disposed residual equity being not able to jointly control or have a significant influence on the investee, the Company shall conduct the accounting treatment according to relevant regulations in *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, and the balance between the fair value on the date losing control and book value shall be included into the current profits and losses. During the preparation of consolidated financial statements, the accounting treatment should be carried out in accordance with the relevant provisions of *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*.

(4) Basis of determining the common control of and significant influence on the investee

Joint control refers to the shared control right over a certain arrangement in accordance with relevant agreements, and the related activities of the arrangement must be unanimously agreed upon by the participating parties who share control before making a decision. If all participants or a group of participants must act in concert to determine the relevant activities of an arrangement, it is considered that all participants or a group of participants collectively control the arrangement. When judging whether the common control exists, it needs to firstly judge whether the arrangement is controlled by all participants or participant combinations collectively, and then judge whether the decision-making related to the activities of the arrangement must be obtained with consensus of these participants who collectively control the arrangement. If there are two or more participant groups which can collectively control a certain arrangement, it does not constitute a common control. When judging whether there is joint control or not, the protective rights are not considered.

Significant influence refers to the investor's power to participate in the decision-making of the financial and operating policies of the investee, but it cannot control or jointly control the formulation of these policies with other parties. When recognizing whether it can impose significant influences on the investee, it should be considered that the influence produced after the voting shares of investee held by the Company directly or indirectly as well as the current executable potential voting rights held by Company and other parties are assumed, to convert into the equity of investee, including the current period convertible warrants, stock options and convertible company bonds issued by the investee.

When the Company directly or indirectly through subsidiary corporations holds over 20% (inclusive) but lower than 50% of voting shares of investee, it shall be generally considered that the Company can impose significant influences on it, unless clear evidence proved that the Company cannot participate in production and operation decision of the investee and not form significant influence under such situation.

The Company shall take advantage of one or several situations listed below to make sure if there is a significant influence on investee:

- ① Appoint representatives in the Board of Directors or equivalent authorities of the investee.
- ② Participate in making financial and operation policy for the investee.
- ③ Conduct important deals with the investee.
- ④ Dispatch the administrative staff to the investee.
- ⑤ Provide key technical data for investee.

The existence of one or more of the above situations does not necessarily mean that the Company has a significant influence on the investee. The Company needs to consider all facts and circumstances comprehensively to make appropriate judgments.

(5) Impairment test methods and calculation and withdrawal methods of impairment reserves

The Company checks whether there are signs of impairment in long-term equity investment on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards. Recoverable amount shall be determined according to the higher one between the net amount of fair value of long-term equity investment and the present value of estimated future cash flow.

(6) Disposal of the long-term equity investment

When the Company disposes a long-term equity investment, the difference between its book value and the actual price obtained shall be included into the current profits and losses. In case that the long-term equity investment is calculated with equity method, the same basis applied by the investee for directly handling with relevant assets and liabilities shall be used to handle the investment, and the accounting treatment shall be conducted for the part originally included in other comprehensive incomes at the corresponding proportion.

22. Investment property

Investment property measurement model

Cost method measurement

Depreciation or amortization method

The straight-line method will be adopted for the calculation and withdrawal of depreciation of leased buildings in investment property of the Company, and the specific accounting policy will be partially same as the that of fixed assets.

The Company checks whether there are signs of impairment in investment property on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards.

The difference between the disposal income from the sale, transfer, scrapping, or damage of investment property by the Company after deducting its book value and relevant taxes and fees is included in the current profits and losses. When the Company has evidence indicating that the houses and buildings for its own will be used for lease or the real estate development products held will be leased by operating lease, the fixed assets, intangible assets or inventories will be converted into investment property at the book value before conversion. Where the Company has evidence indicating that the houses and buildings originally used to earn rent or capital appreciation have been converted into self-use or that the leased houses and buildings used for operating have been reused for external sales, the investment property shall be converted into fixed assets, intangible assets or inventories at the book value before conversion.

23. Fixed assets

(1) Recognition conditions

(1) Recognition conditions and measurement of fixed assets

The Company's fixed assets refer to tangible assets held for the production of goods, provision of labor services, rental or business management, with a useful life exceeding one accounting year, and are recognized when the following conditions are met:

- ① The economic benefits related to the fixed assets are likely to flow into the Company;
- ② The cost of the fixed assets can be measured reliably.

Subsequent expenditures related to fixed assets that meet the recognition conditions are included into the cost of fixed assets, and the book value of the replaced part is derecognized; otherwise, it will be included into the current profits and losses at the time of occurrence.

The fixed assets of the Company shall be initially measured at cost. The cost of purchasing fixed assets includes the purchase price, relevant taxes and fees, and other expenditures that are incurred to make the fixed assets reach the expected serviceable condition and can be directly attributed to the assets, such as transport expense and installation expenses, etc. Nevertheless, if a purchased fixed asset is paid beyond the normal credit period, the cost of the fixed assets is determined based on the sum of the present value of each payment period. The difference between the actual payment and the present value of the acquisition price shall be accounted into current profits and losses during the credit period, unless it shall be capitalized according to the *Accounting Standards for Business Enterprises No. 17 - Borrowing Expenses*.

(2) Impairment test method of fixed assets and calculation and withdrawal methods of impairment reserves

The Company checks whether there are signs of impairment in fixed assets on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards.

(3) Disposal of fixed assets

When the fixed assets are disposed or it cannot be expected to produce economic benefits through use or disposal, the asset shall be derecognized. The difference between the disposal income from the sale, transfer, scrapping, or damage of fixed assets by the Company after deducting its book value and relevant taxes and fees is included in the current profits and losses.

(2) Depreciation method

Type	Depreciation method	Depreciation period	Residual rate	Annual depreciation rate
Buildings and structures	Straight-line method	20-40	3%	2.425%-4.85%
Machinery and equipment	Straight-line method	5-8	3%	12.125%-19.40%
Electronic equipment	Straight-line method	5-10	3%	9.70%-19.40%
Transport equipment	Straight-line method	3-5	3%	19.40%-32.33%
Other equipment	Straight-line method	4-8	3%	12.125%-24.25%

(3) Identification basis, valuation and depreciation method of fixed assets under financing lease

The financing lease of fixed assets by the Company refers to a lease that substantially transfers all risks and rewards related to asset ownership. The specific recognition basis is that it meets one or more of the following conditions: ① The ownership of the lease assets is transferred to the lessee when the lease term expires; ② The lessee has the option to buy the lease assets at a price which is expected to be far lower than the fair value of the lease asset at the date when the option becomes exercisable. Therefore, on the lease commencement date, it can be reasonably determined that the option will be exercised; ③ Even if the ownership of the assets is not transferred, the lease term accounts for the most part of the useful life of the lease assets; ④ The present value of minimum lease payments on the lease commencement date of the lessee almost amounts to the fair value of lease assets on the lease commencement date; ⑤ The lease assets can only be used by the lessee for its special nature, if it is not materially changed.

The valuation method for the Company's fixed assets under financing lease: initial valuation of fixed assets under financing lease takes the lower one between the fair value of lease assets on the commencement date of lease term and the present value of the minimum lease payment as the recording value; the follow-up valuation of fixed assets under financing lease should adopt the depreciation policy being consistent with that of fixed assets for the calculation and withdrawal of depreciation and impairment reserves.

24. Construction in progress

(1) Measurement of construction in progress

The cost of construction in progress of the Company is determined based on actual project expenditures, including all necessary project expenditures incurred during construction, borrowing expenses that should be capitalized before the project reaches its expected serviceable condition, and other related expenses.

(2) Standard and time of construction in progress transferred to fixed assets

The construction in progress of the Company shall be transferred to the fixed assets when it reaches the expected serviceable condition. The criteria of expected serviceable condition should meet one of the following circumstances:

- ① The entity building of fixed assets (including installation) has finished wholly or substantially;
- ② The assets have been in pilot production or operation, and the results show that the assets may normally operate or stably produce qualified products, or the operation and business is normal;
- ③ The amount paid on the fixed assets is very small or negligible;
- ④ The purchased or constructed fixed assets have already reached or basically agrees with the requirements of design or contract.

If the construction projects constructed by the Company have reached the expected serviceable condition but have not yet completed the final accounts, from the date of reaching the expected serviceable condition, they shall be transferred to fixed assets at their estimated value based on the project budget, cost, or actual project cost, and the depreciation of fixed assets shall be calculated and withdrawn in accordance with the Company's fixed asset depreciation policy. After final settlement of account, it shall adjust the previous estimated value based on actual cost, excluding depreciation amount calculated and withdrawn.

(3) Impairment test method of construction in progress and calculation and withdrawal method of impairment reserves

The Company checks whether there are signs of impairment in construction in progress on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards.

The recoverable amount of construction in progress shall be determined by the higher one between the net amount of the fair value of the asset minus the disposal expenses and the present value of the estimated future cash flow of the asset.

25. Borrowing expenses

(1) Recognition principle of capitalization of borrowing expenses

The Company's borrowing expenses include borrowing interest, amortization and auxiliary expenses of depreciation or premium, exchange difference resulted from foreign currency loan, etc. Where the borrowing expenses incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, they shall be capitalized and included into the costs of relevant assets; other borrowing expenses shall be recognized as costs based on the accrual during the occurrence, and included into the current profits and losses. Assets eligible for capitalization refer to fixed assets, investment properties, inventories, and other assets that require a considerable amount of time for acquisition or construction, or production to reach the intended use condition or marketable condition.

(2) Calculation method of capitalization amount

Capitalization period: refers to the period from the capitalization beginning of borrowing expenses to the capitalization ending. The period that borrowing expenses are suspended for capitalization is not included. If the Company's borrowing expenses meet the following conditions, the capitalization shall be started: (1) Asset expenditures have already occurred, which include cash, transferred non-cash assets or debt expenditure bearing interests paid for the acquisition and construction or production of assets eligible for capitalization; (2) The borrowing expenses have already occurred; (3) The purchase, construction and production activities which are necessary to make assets reach the intended use condition or marketable condition have already started.

Capitalization of the Company's borrowing expenses will be suspended when the assets obtained from purchase and construction or production meeting capitalization conditions reach the intended use condition or marketable condition.

Suspension period of capitalization: in the process of purchase, construction or production is interrupted abnormally, and the interruption lasts for more than 3 months, the capitalization of the Company's borrowing expenses should be suspended.

Calculation of capitalization amount for the Company: ① For special borrowings, subtract the interest income obtained from depositing the borrowings which have not been used into the bank or return on investment from the temporary investment from the actual interest expenses of special borrowings in the current period; ② For ordinary borrowings, multiply assets expenditure weighted average of assets expense exceeding the special borrowing by the capitalization rate of ordinary borrowing, with the capitalization rate of weighted average rate of ordinary borrowings; ③ Where there is any discount or premium, the amount of discounts or premiums which shall be amortized during each accounting period shall be determined by the effective interest method, and the adjustment shall be made to the amount of interests in each period.

26. Right-of-use assets

Right-of-use assets refer to the right vested in the Company as the lessee to use any lease assets during the lease period. Upon the commencement date of lease term, the Company recognizes right-of-use assets and lease liabilities for leases as the lessee, provided that short-term leases and leases of low-value assets subject to simplified treatment are excluded.

The right-of-use assets of the Company are initially measured at cost. The said cost includes:

- (1) Initial measurement amount of lease liabilities;
- (2) Amount of lease payments made on or before the commencement date of lease term; in case of any lease incentive, the related amount of such lease incentive having been enjoyed should be deducted;
- (3) Initial direct costs incurred by the Company as the lessee;
- (4) Cost expected to be incurred by the Company dismantling and removing the lease asset, recovering the place where the lease asset is or recovering the lease asset to the state set forth in the leasing clauses.

The Company calculates and withdraws the depreciation of the right-of-use assets by the composite life method. If the Company can reasonably determine that it will acquire ownership of the lease assets at the end of the lease term, depreciation shall be calculated and withdrawn over the remaining useful life of the lease asset. Whereas the ownership of the lease assets cannot be reasonably recognized at the expiration of the lease term, the Company will calculate and withdraw the depreciation of the lease assets within the lease term or the remaining useful life thereof, whichever is shorter.

The Company determines whether any right-of-use assets are impaired in accordance with the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, and has identified impairment losses subject to accounting treatment.

When the Company re-measures lease liabilities according to the standards, the book value of right-of-use assets shall be adjusted accordingly. Where the book value of right-of-use assets has been reduced to zero, but lease liabilities still need to be subject to further reduction, the remaining amount shall be included into the current profits and losses.

Where any lease change results in decreased lease scope or shortened lease term, the Company shall correspondingly reduce the book value of right-of-use assets and include gains or losses related to the partially or completely terminated lease in the current profits and losses. Where any other lease change results in remeasurement of lease liabilities, the Company shall correspondingly adjust the book value of right-of-use assets.

27. Intangible assets

(1) Valuation method, useful life, impairment test

Intangible assets refer to identifiable non monetary assets without physical form owned or controlled by the Company, which are recognized when the following conditions are met simultaneously:

1. The economic benefits related to the intangible assets are likely to flow into the Company;
2. The cost of the intangible assets can be measured reliably.

(1) Measurement of intangible assets

The intangible assets of the Company shall be initially measured at cost. The actual cost of bought-in intangible assets shall be recognized as the amount actually paid and other relevant expenses. The actual costs of intangible assets invested by investors will be determined by the value agreed in investment contracts or agreements. In case that the agreed value in such contract or agreement is not fair, the fair value will be used to determine the actual cost. The actual cost of self-developed intangible assets are total expenses incurred prior to achieving its expected use. For the intangible assets owned by the acquiree in the combination not under the same control but not recognized in the financial statements, these shall be recognized as the intangible assets pursuant to the fair value when carrying out the initial recognition of the acquiree's assets.

The subsequent measurements of intangible assets of the Company are as shown separately: ① The intangible assets with the limited useful life shall be amortized with straight-line method within useful life. It is necessary to review the useful life and amortization method of intangible assets at the end of the year. If there is different from the original estimate, the adjustments shall be conducted; ② Intangible assets with uncertain useful life shall not conduct the amortization, but the useful life shall be re-checked at the end of the year. When there is unambiguous evidence proving that the useful life is limited, the useful life shall be estimated, and straight-line method shall be used for amortization.

(2) Judgment basis for uncertain useful life

The Company is unable to predicate the assets' economic benefit period or the recognition period when the intangible assets which have the uncertain useful life are recognized to be uncertain.

Judgment basis for uncertain useful life: ① It comes from the contractual rights or other legal rights, but there is no clear useful life in the contract or laws. ② Based on the situation in the same industry or the arguments of relevant experts, it is still impossible to determine the period within which intangible assets will bring economic benefits to the Company.

The Company will recheck the useful life of the intangible assets which have the uncertain useful life from bottom to top, and then the using departments of intangible assets will make the basic recheck and evaluate whether the judgment basis of uncertain useful life has been changed.

(3) Impairment test method of intangible assets and calculation and withdrawal method of impairment reserves

The Company checks whether there are signs of impairment in intangible assets on balance sheet date. If any, the impairment test shall be conducted to recognize recoverable amount, and the impairment reserves are calculated and withdrawn based on the section of book value lower than recoverable amount. Upon the calculation and withdrawal, the amount may not be transferred back during the accounting period afterwards.

The recoverable amount of intangible assets shall be determined by the higher one between the net amount of the fair value of the asset minus the disposal expenses and the present value of the estimated future cash flow of the asset.

(2) Accounting policy for internal R&D expenses

The expenses of the Company's internal R&D projects in the research stage shall be included into the current profits and losses during the occurrence; the expenses incurred during the development stage will only be capitalized by the Company if the following conditions are met simultaneously: ① The intangible assets should be finished so that it can be sold and have feasibility in technology; ② There is intention to finish and use or sell the intangible assets; ③ The method of intangible assets generate the economic benefits with the modes of including the product market, which is produced by the intangible assets or the market of intangible assets itself; the usefulness of the intangible assets shall be demonstrated if being used internally; ④ There are sufficient supports of technology, financial resources and other resource, to complete the development of the intangible assets, and the ability to use or sell the intangible assets; ⑤ The expenditures of the intangible assets in the development stage can be reliably measured.

Specific standards for dividing research stage and development stage of internal R&D projects: the planned investigation stage for obtaining new skills and knowledge shall be identified as research stage, and such stage is planned and exploratory; before commercial production or use, the stage of applying research results or other knowledge to a plan or design in order to produce new materials, devices, products, etc. with substantive improvement shall be identified as the development stage, and such stage is targeted and more likely to produce results, etc.

The R&D expenditures, if unable to be divided into research expenditure and development expenditure, are totally included into the current profits and losses.

28. Impairment of long-term assets

The Company conducts impairment tests on long-term equity investments, investment properties measured using cost models, fixed assets, construction in progress, intangible assets, and other long-term assets that show signs of impairment on the balance sheet date. If the impairment test result shows that the recoverable amount of assets is lower than the book value thereof, the impairment reserves shall be withdrawn in accordance with its difference and included in the impairment losses. The recoverable amount is determined by the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow thereof, whichever is higher. The asset impairment reserves shall be calculated and recognized on the basis of a single asset. If it is hard to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined in accordance with the asset group of the assets. The asset group refers to the minimum asset portfolio that is capable of independently generating cash inflow.

The Company conducts impairment test on goodwill and intangible assets with uncertain useful life formed by the business combination, regardless of whether there are signs of impairment, at least at the end of each year. Intangible assets that do not reach their availability also undergo impairment test every year.

The Company conducts the goodwill impairment test. The book value of the goodwill which formed by the business combination shall be allocated to the related asset group from the acquisition date with reasonable methods; those difficult to be amortized to relevant asset groups shall be amortized to relevant asset group portfolios. In case the book value of goodwill is amortized to relevant asset groups or asset group portfolios, amortization shall be conducted based on the proportion of the fair value of each asset group or asset group portfolio in the total amount of the fair value of relevant asset groups and asset group portfolios. If it is difficult to reliably measure fair value, amortization shall be conducted based on the proportion of book value of each asset group or asset group portfolio in the total amount of book value of relevant asset groups or asset group portfolios.

When the Company conduct the impairment tests on relevant asset groups or asset group portfolios containing goodwill, if there are impairment signs for asset groups or asset group portfolios related to goodwill, it is required to firstly conduct impairment test to asset groups or asset group portfolios not containing goodwill, calculate recoverable amount, and compared with relevant book values to recognize the corresponding impairment loss. The Company shall make an impairment test of the asset groups or asset group portfolios containing goodwill, and compare the book value of these asset groups or asset group portfolios (including the book value of the goodwill amortized) and their recoverable amount. If the recoverable amount of relevant assets groups or asset group portfolios is lower than the book value thereof, the impairment losses shall be recognized based on the difference. The amount of impairment loss is first offset against the book value of goodwill allocated to the asset group or asset group portfolio; Then lower the book value of other assets in proportion according to the ratio of the book value expect for goodwill in asset groups or asset group portfolios.

Once the impairment loss of the above-mentioned assets is recognized, the Company will not reverse it in future accounting periods.

29. Long-term unamortized expenses

Long-term unamortized expenses of the Company refer to expenses which have been paid, but the benefit period is more than one year (exclusive). Long-term unamortized expenses should be amortized evenly by stages within the benefit period of expense items. If the item for long-term unamortized expenses cannot bring profits for the following accounting period, the Company transfers the amortized value of such item that has not been amortized into the current profits and losses fully.

30. Contract liabilities

Contract liabilities refer to the obligations of the Company to transfer goods or services to customers for the received or receivable consideration from customers. The Company shall present the received payment or receivables as the contract liabilities at the earlier of the time between the actual payment by the customer and the payment due if the customer has already paid the contract consideration or the Company has obtained the unconditional right to receive payment before the Company transfers the goods to the customer. The Company present the contract assets and liabilities under the same contract in net amount, and the contract assets and liabilities under different contracts are not offset.

31. Employee remuneration

(1) Accounting treatment method of short-term remuneration

The Company's short-term compensation includes short-term wages, bonuses, allowances, subsidies, employee welfares, housing provident fund, labor union funds and employee education funds, medical insurance, work-related injury insurance, maternity insurance, short-term paid absences, short-term profit sharing plans, etc. During the accounting period when employees provide services, the Company recognizes the actual short-term compensation payable as a liability and includes it into the current profits and losses or related asset costs according to the beneficiary and the principle of accrual accounting.

(2) Accounting treatment method of post-employment benefits

The post-employment benefits mainly include basic endowment insurance and enterprise annuity, etc. It shall be classified as the defined contribution plan and defined benefit plan in accordance with risk and obligation borne by the Company.

Defined contribution plan: the Company pays the contribution fund to the individual subject for exchange of services provided by the staff during the accounting period on the balance sheet date, and if it is recognized as liabilities, it shall be included into the current profits and losses or relevant asset costs according to the benefit object.

Defined benefit plan: the Company's actuarial valuation is conducted by an independent actuary on the semiannual and annual balance sheet dates, and the cost of providing benefits is determined using the expected cumulative benefit unit method.

Employee remuneration cost incurred by defined benefit plan set by the Company includes the following parts: (1) Service costs, including current service costs, past service costs and settled gains or losses. Among them, the current service cost refers to increase in present value of defined benefit obligations incurred by providing services in current period; the past service cost refers to increase or decrease in present value of defined benefit obligations related to employee service during the previous period which is caused by modification of defined benefit plan; (2) Interest expenses of defined benefit obligations; (3) Change incurred by re-measuring defined benefit plan liabilities. Unless other accounting standards require or allow employee welfare costs to be included into asset costs, the Company will include the above-mentioned Items (1) and (2) into current profits and losses;

Item (3) shall be included into other comprehensive incomes and will not be reversed to profit or loss during the subsequent accounting period.

(3) Accounting treatment method of dismissal benefits

Dismissal benefits refer to suggestions made by the Company to terminate the employment relationship with employees before the expiration of their labor contracts, or to encourage employees to voluntarily accept layoffs and provide compensation. Where the Company cannot bilaterally withdraw the dismissal benefits provided by cancellation of labor relationship or downsizing proposal, or recognize costs or expenses (the earlier one) involved in the reorganization of dismissal benefit payment, the employee remuneration liability arising out of the dismissal benefit recognition is included into the current profits and losses.

32. Lease liabilities

Upon the commencement date of lease term, the Company recognizes right-of-use assets and lease liabilities for leases as the lessee, provided that short-term leases and leases of low-value assets subject to simplified treatment are excluded. The Company's lease liabilities shall be initially measured at the present value of the outstanding lease payments on the commencement date of lease term.

When calculating the present value of the lease payment, the Company shall adopt the interest rate implicit in the lease as the discount rate; where the interest rate implicit in the lease cannot be determined, the incremental borrowing interest rate of the Company (i.e., the lessee) shall be used as the discount rate.

The interest rate implicit in the lease refers to an interest rate at which the sum of the present value of the lessor's lease receipts and the present value of the unsecured residual value equals the sum of the fair value of the lease asset and the lessor's initial direct costs. The incremental borrowing interest rate of the lessee refers to an interest rate payable by the Company as a lessee in a similar economic environment in order to acquire assets with a value similar to that of the right-of-use assets and to borrow funds under similar mortgage conditions during a similar period.

The Company calculates the interest expense of the lease liabilities in each period of the lease terms at a fixed cyclical interest rate and includes it into the current profits and losses or the related asset costs.

If there is a change in the evaluation results of the Company's renewal option, termination option, or purchase option after the commencement date of lease term, the lease payment shall be re-determined, and the lease liabilities shall be re-measured at the present value calculated based on the changed lease payment and the revised discount rate:

If there is a change in the expected payable amount based on the residual value of the guarantee after the commencement date of lease term, or there is a change in the future lease payment due to changes in the index or ratio used to determine the lease payment, the Company will re-measure the lease liabilities based on the present value of the changed lease payment. In these cases, the discount rate adopted by the Company remains unchanged; However, if the change of lease payment is due to the change of floating interest rate, the revised discount rate shall be used to calculate the present value.

33. Estimated liabilities**(1) Recognition standards of estimated liabilities**

When obligation related to the contingencies is the current obligation of the Company, the performance of such obligation may cause the damage to economic benefits, and if its amount can be reliably measured, the obligation should be recognized as estimated liabilities.

(2) Measurement method of estimated liabilities

The Estimated Liabilities of the Company are initially measured based on the best estimate of the expenses required to fulfill the relevant current obligations. If there is a continuous range of expenses and the likelihood of various outcomes occurring within that range is the same, the best estimate is determined based on the median value within that range; in case of involving multiple items, the best estimate should be calculated and determined according to various possible results and relevant probability.

The Company rechecks the book value of estimated liabilities on the balance sheet date. If there are unambiguous evidences proving the book value cannot actually reflect the best estimate, the book value shall be adjusted according to the best estimate.

The compensation amount shall be recognized separately as assets when recognizing it may be recovered if all or part of the expenditures necessary for paying off estimated liabilities is compensated by the third party, and the recognized compensation amount shall not exceed the book value of estimated liabilities.

34. Share-based payment

The Company's share-based payment refers to a transaction in which the Company grants the equity instruments or undertakes the equity-instrument-based liabilities in return for services from employee or other parties. The Company's share-based payments is an equity-settled share-based payment.

Equity-settled share-based payment used in exchange for services provided by employees are measured by the fair value of equity instruments granted to employees on the grant date. On each balance sheet date during the waiting period, the Company, based on the latest information, including the change of feasible employees' number and whether it meets the specified performance conditions, makes the best estimates on vesting the number of equity instruments. On this basis, in accordance with the fair value of the grant date, the services obtained in the current period will be included into the relevant costs or expenses, correspondingly to increase capital reserves. The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owners' equities which have been recognized. If the instrument is exercisable after conferring, it will be included in the costs or expenses based on the fair value on conferring date and the capital reserves will be increased.

When the Company modifies the share-based payment plan, if the modification increases the fair value of equity instrument granted, the increase of service shall be recognized according to the increase of fair value of equity instrument accordingly; if the number of equity instrument granted is modified to increase, the Company shall recognize the fair value of equity instrument increased as the increase of service obtained. The increase of the fair value of equity instruments refers to the difference between the fair value of the equity instruments before and after the modification on the date of modification. If the revision of vesting conditions is done in favor of employees, such as waiting period cut-down, modification or cancel of performance conditions (non-market conditions), the Company shall take modified vesting conditions into consideration to deal with vesting conditions. If the modification decreases the total amount of share-based payment fair value or adopts other ways which are adverse to the employees to modify terms and conditions of share-based payment plan, unless the Company cancels the part or all of the granted equity instruments, it shall conduct the further accounting treatment of the services acquired, and it shall be deemed that such change never happens.

During the waiting period, if the granted equity instrument is cancelled, the Company will cancel the granted equity instrument as an accelerated exercise, and the amount to be recognized in the remaining waiting period will be immediately included into the current profits and losses, and the capital reserves shall be recognized at the same time. If the employee or other party can choose to meet the non-vesting conditions but fails to meet in the waiting period, the Company will treat it as a cancellation of the equity instrument.

35. Preferred stock, perpetual bonds, and other financial instruments

The Company, on the basis of the classification of the issued financial instruments, recognizes the instrument interest expenditure or dividend distribution and other accounting treatment. Preferred shares and perpetual bonds classified as debt instruments are initially measured according to their fair value after deducting transaction expenses, and subsequently measured by the effective interest method according to the amortized cost. Their interest expenditure or dividend distribution is processed according to borrowing expenses, and the profits or losses resulting from their repurchase or redemption are included into the current profits and losses.

Other financial instruments such as preferred share and perpetual bonds issued by the Company are classified as equity instruments if they do not include contractual obligations to deliver cash or other financial assets to other parties or exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Preferred shares and perpetual bonds classified as equity instruments increase the Company's owners' equities after deducting transaction expenses from the consideration received at the time of issuance. Their interest expenditure or dividend distribution is handled according to the distribution of profits, and repurchase or cancellation is handled as changes in equity.

36. Revenue

Accounting policies adopted for revenue recognition and measurement

(1) General principles of revenue recognition

Where the contract between the Company and its customer can meet the following conditions at the same time, the revenue shall be recognized when the customer owns the relevant control right of the goods: each party of the contract has agreed with the contract and promised that they will assume their obligations; the contract has specified rights and obligations of each concerned party related to goods transfer or labor provision; the contract has specified the payment terms related to goods transfer; the contract is of the commercial essence, which means that performance of the contract will change the risk, time distribution or amount of future cash flow of the Company; the Company may recover the consideration for which the Company is entitled to obtain for transferred goods to customers.

On the contract beginning date, the Company identifies the individual performance obligation specified in the contract and amortizes the transaction price to each individual performance obligation based on the relative proportion of the individual sales price of the goods guaranteed in individual performance obligation. When determining the transaction price, the Company has taken into account factors such as variable consideration, significant financing components in the contract, non cash consideration, and consideration payable to customers.

As for each individual performance obligation in the contract, if one of the following conditions are met, the Company recognizes the transaction price which is amortized into the individual performance obligation based on the performance progress within a relevant performance period as the revenue: the customer obtains and consumes the economic benefits while the Company fulfills the performance obligation; the customer controls the goods in process while the Company fulfills the performance obligation; the goods produced during the performance have irreplaceable purposes and the Company is entitled to charge money for the performance accumulated and has been finished until the current time within the whole contract period. The performance progress shall be recognized based on the property of the goods transferred by virtue of the input method or the output method. When the performance progress cannot be recognized reasonably, if it is predicted that the incurred cost of the Company can be compensated, the revenue shall be recognized based on the incurred cost amount until the performance progress can be recognized reasonably.

If one of the above conditions cannot be met, the Company recognizes the transaction price amortized to the individual performance obligation at the time when the customer obtains the control right of relevant goods as the revenue. When judging whether the customer has obtained the control right of the goods, the Company can consider the following signs: the Company has the current collection right of the goods, namely the customer is responsible for current payment obligation of the goods; the Company has transferred legal ownership of the goods to the customer, i.e., the customer has obtained legal ownership of the goods; the Company has transferred the physical goods to the customer, i.e., the customer has taken physical possession of the goods; The Company has transferred main risks and rewards concerning the ownership of the goods to the customer, namely the customer has obtained the main risks and rewards concerning the ownership of the goods; the customer has accepted the goods; other signs indicating that the customer has obtained the control right of the goods.

(2) Specific method of revenue recognition

1) Revenue from sales of goods

The sales of goods between the Company and customers usually refer to the sales of servers and components, IT terminals, and bulk items, which belong to the "performance obligation at a certain point in time".

A. Domestic sales revenue: the Company shall transport the goods to the agreed location in accordance with the contract, and the customer has signed for the goods, and the control right of the goods has been transferred to the customer.

B. Export sales revenue: the Company has declared and exported the products in accordance with the contract, obtained the customs declaration and bill of lading (waybill), received the payment for the goods or obtained payment vouchers, and the control right of the goods has been transferred to the customer.

2) Revenue from provision of services

The services provided between the Company and customers usually refer to maintenance and operation services, usually customized services. Due to the fact that at the same time as the Company fulfills its obligations, the customers acquire and consume the economic benefits brought by the Company's performance. Therefore, the Company regards it as a "performance obligation within a certain period", recognizes revenue based on the progress of performance, and determines the progress of service provision based on the output method.

Differences in revenue recognition accounting policies due to the adoption of different business models in similar businesses

37. Government subsidies

(1) Types of government subsidies

Government subsidy refers to monetary assets or on-monetary assets freely gained by the Company from the government (including but not limited to capital invested by the government as owner) which are mainly divided into asset-related government subsidies and income-related government subsidies. Monetary government subsidies shall be measured based on received or receivable amount. Non-monetary government subsidies shall be measured at fair value; when the fair value cannot be reliably acquired, it shall be measured in accordance with nominal amount. The government subsidies measured by the nominal amount shall be directly included into the current profits and losses.

(2) Accounting treatment method of asset-related government subsidies

Asset-related government subsidies refer to the government subsidies that are obtained by the Company used for purchase and construction, or forming the long-term assets by other ways. The Company's asset-related government subsidies are offset against the book value of related assets or recognized as deferred income. If recognized as deferred income, they are included into the current profits and losses in a reasonable and systematic manner over the useful life of the relevant assets (those related to our daily activities are included into other incomes; those unrelated to our daily activities are included into non-operating income);

(3) Accounting treatment method of income-related government subsidies

Income-related government subsidies refer to the government subsidies obtained by the Company excluding asset-related government subsidies. The Company recognizes income-related government subsidies as deferred income, which are used to compensate for related costs, expenses or losses in future periods. During the period of recognizing related costs, expenses or losses, they are included into the current profits and losses (those related to our daily activities are included into other incomes; those unrelated to our daily activities are included into non-operating income) or offset against related costs, expenses or losses; government subsidies that are used to compensate relevant costs, expenses or losses generated by the Company shall be directly included into the current profits and losses (those related to our daily activities are included into other incomes; those unrelated to our daily activities are included into non-operating income) or offset relevant costs, expenses or losses.

The loan interest subsidy policy preference acquired by the Company is divided into the following two cases, which are accounted respectively:

- ① If the Ministry of Finance allocates the interest subsidy capital to loan banks which provide the loan to the Company with the policy preferential interest rate, the actually collected loan amount is taken as the entry value of the loan, and relevant borrowing expenses shall be calculated based on loan principal and the policy preferential interest rate.
- ② If the Ministry of Finance allocates the interest subsidy capital to the Company, it should write down related borrowing expenses with corresponding interest subsidy.

(4) Criteria for distinguishing between asset-related government subsidies and income-related government subsidies

- ① If the particular project of the grants is clear in the government document, make a division according to the relative proportion of expense amount of the formed assets in the budget of the particular project and the expense amount included in the cost, shall review the division ratio required at each balance sheet date and make changes if necessary;
- ② As the income-related government subsidies, the main purpose is only described generally in the government documents without the specific project.

(5) Recognition time point of government subsidies

The government subsidies calculated in accordance with the amount receivable shall be recognized if there is concrete evidence that it can meet the related conditions specified in the financial support policies at the end of the period and is expected to be able to receive financial support.

Other government subsidies except for the government subsidies measured based on amount receivable should be recognized by the Company when such subsidies are received.

38. Deferred income tax assets/deferred income tax liabilities

The Company's deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the differences (temporary differences) arising between the tax bases of assets and liabilities and their book value.

(1) For deductible temporary differences recognition of the Company's deferred income tax assets, the taxable income of deductible temporary differences that is likely to be achieved in future is regarded as the limit. For deductible losses and tax deductions that can be carried forward for subsequent years, the corresponding deferred income tax assets shall be recognized to the extent of the future taxable income likely to be obtained for deducting the deductible losses and tax deduction. For taxable temporary differences, except in special circumstances, the deferred income tax liabilities are recognized.

(2) The Company's deferred income tax assets shall be recognized to the limit of acquiring any taxable income that may be used for offsetting the deductible temporary difference. On the balance sheet date, if there is convincing evidence that sufficient taxable income will be available in future periods to deduct deductible temporary differences, deferred income tax assets that were not recognized in prior accounting periods are recognized. If it may not obtain sufficient taxable income for deducting the deferred income tax assets, the book value of the deferred income tax assets should be written down.

(3) The Company's taxable temporary difference related to the investment of subsidiaries and associated enterprises shall be recognized as deferred income tax liabilities, unless the Company may control the transferring time of temporary differences and the temporary differences may not be transferred back in the foreseeable future. For the Company's deductible temporary differences related to subsidiaries and associated enterprises, only when it's possible that the temporary difference should be returned in the predictable future and obtain the taxable income for deducting the deductible temporary difference in the future, the differences can be recognized as the deferred income tax assets.

(4) For the Company's temporary differences at the initial recognition of goodwill, the corresponding deferred income tax liabilities will not be recognized. For temporary differences resulting from the initial recognition of assets or liabilities incurred during the transaction of non-business combination not affecting both accounting profit and taxable income (or deductible loss), the corresponding deferred income tax assets and liabilities shall not be recognized. On the balance sheet date, the Company's deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the expected period of asset recovery or liability settlement.

(5) When the following conditions are met simultaneously, the deferred income tax assets and the deferred income tax liabilities shall be presented with the net amount after offsetting:

A. Deferred income tax assets and deferred income tax liabilities are related to income tax levied from the same taxpaying body in the Company by the same tax collection and management department;

B. Taxpaying bodies within the Company have the legal right to settle the current income tax assets and liabilities with net assets;

39. Lease

(1) Accounting treatment method of operating lease

Lease refers to a contract in which it is agreed that the lessor transfers the use right of assets to the lessee to get corresponding consideration within a certain period.

On the contract start/change date, the Company shall evaluate whether the contract is a lease or includes a lease. Where either party thereto assigns one or more use rights of the identified asset(s) under its control in a certain period to get consideration, the contract is used for lease or includes a lease. Unless there is any change in the terms and conditions thereof, the Company shall not re-evaluate whether the contract is a lease or contains lease.

If the contract contains multiple separate leases at the same time, the lessee and lessor will split the contract and have each separate lease separately subject to accounting treatment. If the contract includes lease and non-lease parts at the same time, the lessee and the lessor will split them separately.

(1) The Company as the lessee

A. Right-of-use assets

Right-of-use assets refer to the right vested in the Company as the lessee to use any lease assets during the lease period. Upon the commencement date of lease term, the Company recognizes right-of-use assets and lease liabilities for leases as the lessee, provided that short-term leases and leases of low-value assets subject to simplified treatment are excluded.

The right-of-use assets of the Company are initially measured at cost. The said cost includes:

- a Initial measurement amount of lease liabilities;
- b Amount of lease payments made on or before the commencement date of lease term; in case of any lease incentive, the related amount of such lease incentive having been enjoyed should be deducted; c Initial direct costs incurred by the Company as the lessee;
- d Cost expected to be incurred by the Company dismantling and removing the lease asset, recovering the place where the lease asset is or recovering the lease asset to the state set forth in the leasing clauses.

The Company calculates and withdraws the depreciation of the right-of-use assets by the composite life method. If the Company can reasonably determine that it will acquire ownership of the lease assets at the end of the lease term, depreciation shall be calculated and withdrawn over the remaining useful life of the lease asset. Whereas the ownership of the lease assets cannot be reasonably recognized at the expiration of the lease term, the Company will calculate and withdraw the depreciation of the lease assets within the lease term or the remaining useful life thereof, whichever is shorter.

The Company determines whether any right-of-use assets are impaired in accordance with the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, and has identified impairment losses subject to accounting treatment.

When the Company re-measures lease liabilities according to the standards, the book value of right-of-use assets shall be adjusted accordingly. Where the book value of right-of-use assets has been reduced to zero, but lease liabilities still need to be subject to further reduction, the remaining amount shall be included into the current profits and losses.

Where any lease change results in decreased lease scope or shortened lease term, the Company shall correspondingly reduce the book value of right-of-use assets and include gains or losses related to the partially or completely terminated lease in the current profits and losses. Where any other lease change results in remeasurement of lease liabilities, the Company shall correspondingly adjust the book value of right-of-use assets.

B. Lease liabilities

Upon the commencement date of lease term, the Company recognizes right-of-use assets and lease liabilities for leases as the lessee, provided that short-term leases and leases of low-value assets subject to simplified treatment are excluded. The Company's lease liabilities shall be initially measured at the present value of the outstanding lease payments on the commencement date of lease term.

When calculating the present value of the lease payment, the Company shall adopt the interest rate implicit in the lease as the discount rate; where the interest rate implicit in the lease cannot be determined, the incremental borrowing interest rate of the Company (i.e., the lessee) shall be used as the discount rate.

The interest rate implicit in the lease refers to an interest rate at which the sum of the present value of the lessor's lease receipts and the present value of the unsecured residual value equals the sum of the fair value of the lease asset and the lessor's initial direct costs. The incremental borrowing interest rate of the lessee refers to an interest rate payable by the Company as a lessee in a similar economic environment in order to acquire assets with a value similar to that of the right-of-use assets and to borrow funds under similar mortgage conditions during a similar period.

The Company calculates the interest expense of the lease liabilities in each period of the lease terms at a fixed cyclical interest rate and includes it into the current profits and losses or the related asset costs.

If there is a change in the evaluation results of the Company's renewal option, termination option, or purchase option after the commencement date of lease term, the lease payment shall be re-determined, and the lease liabilities shall be re-measured at the present value calculated based on the changed lease payment and the revised discount rate:

If there is a change in the expected payable amount based on the residual value of the guarantee after the commencement date of lease term, or there is a change in the future lease payment due to changes in the index or ratio used to determine the lease payment, the Company will re-measure the lease liabilities based on the present value of the changed lease payment. In these cases, the discount rate adopted by the Company remains unchanged; However, if the change of lease payment is due to the change of floating interest rate, the revised discount rate shall be used to calculate the present value.

C. Short-term lease and low-value asset lease

The Company does not recognize right-of-use assets and lease liabilities for short-term lease and lease of low-value assets. A short-term lease refers to a lease with a term of no more than 12 months at the commencement date of lease term and does not include an option to purchase. A lease of low-value assets refers to a low-value lease when a single lease asset is regarded as a new asset. The Company shall include the lease payment of short-term lease and lease of low-value assets into the current profits and losses or relevant asset costs according to the straight-line method in each period of the lease term.

D. Lease change

If the lease changes and the following conditions are met at the same time, the Company shall have an accounting treatment for the lease change as a separate lease:

- a. If such a lease change expands the scope of the lease by adding the rights to use one or more lease assets;
- b. Where the increased consideration is equivalent to the separate price of the expanded portion of the scope of the lease adjusted according to the contract.

If the lease change isn't regarded as a separate lease for accounting treatment, the Company shall apportion the contract consideration after the change, and rerecognize the lease term as well as measure the lease liabilities anew according to the changed lease payment and the present value calculated with the revised discount rate on the date when the lease change takes effect.

Where any lease change results in decreased lease scope or shortened lease term, the Company shall correspondingly reduce the book value of right-of-use assets and include gains or losses related to the partially or completely terminated lease in the current profits and losses. Where any other lease change results in remeasurement of lease liabilities, the Company shall correspondingly adjust the book value of right-of-use assets.

(2) The Company as the lessor

A. Classification of lease

From the lease commencement date, the Company, as the lessor, will divide leases into financing lease and operating lease. Financing lease refers to a lease in which almost all the risks and rewards related to the ownership of the lease asset are essentially transferred, regardless of whether the ownership is finally transferred or not. Operating lease refers to other leases except for the financing lease. When the Company is the sublease lessor, the sublease shall be classified based on the right-of-use assets arising from the original lease.

B. The Company, as the lessor, records the operating leasing business.

During each period of the lease term, the Company recognizes the lease payment from operating leases as rental income by using the straight-line method. The Company capitalizes initial direct costs pertaining to operating leases upon their occurrence, and apportions them as per the same basis used for recognizing the rental income within the lease term and includes them in current profits and losses by period. The Company's variable lease receipts related to operating leases that are not included in the lease receipts should be recognized in current profits and losses when they actually occur.

C. Lease change

In the event of any change in an operating lease of which the Company is the lessor, the Company will have it subject to accounting treatment as a new lease from the effective date of the change, and the amount of lease receipts received in advance or receivable relating to the lease prior to such change will be taken as an amount received under the new lease.

(2) Accounting treatment method of financing lease

40. Changes in significant accounting policies and accounting estimates**(1) Changes in significant accounting policies**

Applicable Not applicable

Contents and reasons for changes in accounting policies	Approval procedure	Remarks
On December 31, 2021, the Ministry of Finance issued <i>Interpretation of the Accounting Standards for Business Enterprises No. 15</i> (CK [2021] No. 35), which requires "accounting treatment for the sale of products or by-products produced before reaching the expected serviceable condition or during the R&D process of fixed assets by enterprises" and "judgment on loss making contracts" to be implemented from January 1, 2022.	On August 16, 2022, the 22 nd meeting of the 8 th Board of Directors of the Company reviewed and approved it.	The Company will implement the provisions from January 1, 2022. The implementation of the provisions has not had a significant impact on the financial conditions and operating results of the Company, and does not involve retrospective adjustments from previous years.
On December 13, 2022, the Ministry of Finance issued <i>Interpretation of the Accounting Standards for Business Enterprises No. 16</i> (CK[2022] No. 31), which requires "accounting treatment for the income tax impact of dividends related to financial instruments classified as equity instruments by issuers" and "accounting treatment for enterprises to modify cash settled share-based payments to equity-settled share-based payments" to be implemented from the date of publication".	The 29 th meeting of the 8 th Board of Directors of the Company	The Company implements the provisions upon promulgation. The implementation of the provisions has not had a significant impact on the financial conditions and operating results of the Company, and does not involve retrospective adjustments from previous years.

(2) Changes in significant accounting estimates

Applicable Not applicable

VI. Taxes**1. Main tax category and tax rate**

Tax category	Taxation basis	Tax rate
VAT	Taxable income	13%, 9%, 6%
Urban maintenance and construction taxes	Turnover tax amount payable	7%, 5%
Corporate income tax	Taxable income	25%, 15%, 16.5%, etc.
Education surcharges	Turnover tax amount payable	3%
Local education surcharges	Turnover tax amount payable	2%

The situation should be disclosed if there are different corporate income tax rates in taxpaying bodies.

Names of taxpaying bodies	Income tax rate
Inspur Electronic Information Industry Co., Ltd.	15%
Inspur (Beijing) Electronic Information Industry Co., Ltd.	15%
Guangdong Inspur Intelligent Computing Technology Co., Ltd.	15%
Inspur Power Commercial Systems Co., Ltd.	15%
Zhengzhou Yunhai Information Technology Co., Ltd.	12.5%
Guizhou Inspur Yingxin Technology Co., Ltd.	15%
Yunnan Inspur Computer Technology Co., Ltd.	15%
Inspur (Chengdu) Computer Technology Co., Ltd.	15%
Suzhou Inspur Intelligent Technology Co., Ltd.	15%
Shandong Yingxin Computer Technology Co., Ltd.	15%
Inspur (Nanning) Computer Technology Co., Ltd.	9%
Jinan Inspur Yunhai Computer Technology Co., Ltd.	5%
Inspur (Qingdao) Electronic Information Industry Co., Ltd.	2.5%
Shaanxi Inspur Yingxin Technology Co., Ltd.	5%
Shanxi Inspur Electronic Information Industry Co., Ltd.	2.5%
Suzhou Intelligent Computing Technology Co., Ltd.	2.5%
INSPURELECTRONICINFORMATIONSSINGAPOREPTE.LTD	17%
Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd.	2.5%
Inspur (Beijing) Computer Technology Co., Ltd.	2.5%
Beijing Inspur Anda Technology Investment Co., Ltd.	2.5%
InspurSystems,Inc.	29.84% (federal income tax 21% and California income tax 8.84%)
InspurAssetHoldings,Inc	29.84% (federal income tax 21% and California income tax 8.84%)
InspurHungaryKFT	9%
Inspur Electronic Information (Hong Kong) Co., Ltd.	16.5%
Inspur (Hong Kong) Electronics Co., Ltd.	16.5%
Inspur Information (Hong Kong) International Co., Ltd.	0%
Dongsheng Technology Information Co., Ltd.	0%
ElectronicChannelLimited	16.5%
ElectronicSupplyChainLimited	16.5%
Inspur (Jinan) Computer Technology Co., Ltd.	2.5%
Guiyang Inspur Intelligent Technology Co., Ltd.	15%

2. Tax incentives**(1) Preferential tax policy for corporate income tax**

The Company passed the qualification re examination for high-tech enterprises in 2020, with the high-tech enterprise certificate number of GR202037001756 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Inspur (Beijing) Electronic Information Industry Co., Ltd., passed the qualification review for high-tech enterprises in 2020, with the high-tech enterprise certificate number of GR202011004548 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Guangdong Inspur Intelligent Computing Technology Co., Ltd., passed the qualification review for high-tech enterprises in 2021, with the high-tech enterprise certificate number of GR202144012298 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Suzhou Inspur Intelligent Technology Co., Ltd., passed the qualification certification for high-tech enterprises in 2021, with the high-tech enterprise certificate number of GR202132003077 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Shandong Yingxin Computer Technology Co., Ltd., passed the qualification certification for high-tech enterprises in 2021, with the high-tech enterprise certificate number of GR202137004939 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Inspur Power Commercial Systems Co., Ltd., received a high-tech enterprise certificate with the number GR202037003410 in 2020, which is recognized as valid for three years and is subject to a reduced corporate income tax rate of 15%.

Our subsidiary, Zhengzhou Yunhai Information Technology Co., Ltd., obtained the *Software Enterprise Certification Certificate* (certificate No.: YRQ-2019-0399) issued by the Henan Software Service Industry Association on August 14, 2019. According to the *Announcement of the Ministry of Finance and the State Administration of Taxation on the Corporate Income Tax Policy for Integrated Circuit Design and Software Industry* (Announcement No. 68 of the Ministry of Finance and the State Administration of Taxation in 2019), integrated circuit design enterprises and software enterprises established according to law and meeting the requirements shall calculate the preferential period from the profit-making year before December 31, 2018. The corporate income tax shall be exempted from the first year to the second year, and the corporate income tax shall be halved at the statutory tax rate of 25% from the third year to the fifth year, and shall be enjoyed until the expiration. The corporate income tax shall be paid based on the tax rate of 12.5% this year.

Our subsidiaries, Guizhou Inspur Yingxin Technology Co., Ltd., Yunnan Inspur Computer Technology Co., Ltd., Inspur (Chengdu) Computer Technology Co., Ltd., and Inspur (Nanning) Computer Technology Co., Ltd., Guiyang Inspur Intelligent Technology Co., Ltd., are entitled to the national tax preferential policy for large-scale development of Western China in accordance with the *Notice of the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation on Tax Policies Related to the Implementation of the Strategy for Large-scale Development of Western China* (CS (2011) No. 58), and are subject to a reduced tax rate of 15% for corporate income tax payment.

Our subsidiary, Inspur (Nanning) Computer Technology Co., Ltd., complies with the provision of Article 6 "Implementation of Tax Incentives for Industrial Development, and Article 3" of the *Several Policy Provisions of the People's Government of Guangxi Zhuang Autonomous Region on Promoting the Open Development of Guangxi Beibu Gulf Economic Zone* (GZF [2014] No. 5), that is, "newly established industrial enterprises that comply with the provisions of Article 3 of this policy and are encouraged by the state, whose main operating income accounts for more than 50% of the total revenues, shall be exempt from local shared corporate income tax in the first to fifth years from the tax year in which the first production and operation income is obtained by the project. The corporate income tax shall be reduced by half in the sixth to seventh years". Therefore, Inspur (Nanning) Computer Technology Co., Ltd. paid corporate income tax at a reduced rate of 9% this year.

For our subsidiaries, Jinan Inspur Yunhai Computer Technology Co., Ltd., Inspur (Qingdao) Electronic Information Industry Co., Ltd., Shaanxi Inspur Yingxin Technology Co., Ltd., Shanxi Inspur Electronic Information Industry Co., Ltd., Suzhou Intelligent Computing Technology Co., Ltd., Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd., Inspur (Beijing) Computer Technology Co., Ltd., Beijing Inspur Anda Technology Investment Co., Ltd., and Inspur (Jinan) Computer Technology Co., Ltd., the *Announcement on the Implementation of Preferential Policies for Income Tax for Small and Micro Enterprises* (Announcement No. 13 of 2022 of the Ministry of Finance and the State Administration of Taxation) issued on March 14, 2022 stipulates that "for small and micro profit enterprises with an annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million, a reduction of 25% shall be included in the taxable income, and the corporate income tax shall be paid at a rate of 20%" and "the implementation period of this notice is from January 1, 2022 to December 31, 2024". In addition, the *Announcement on the Implementation of Preferential Policies for Income Tax for Small and Micro Enterprises and Individual Businesses* (Announcement No. 12 of 2021 of the Ministry of Finance and the State Administration of Taxation) issued on April 2, 2021 stipulates that for the portion of the annual taxable income of small low-profit enterprises that does not exceed RMB 1 million, a reduction of 12.5% shall be included in the taxable income, and the corporate income tax shall be paid at a rate of 20%.

(2) VAT preferential policies

According to the *Notice of the State Council on Issuing Several Policies to Further Encourage the Development of the Software and Integrated Circuit Industries*, issued by the State Council on January 28, 2011, the preferential policy for software value-added tax will be implemented constantly. For general VAT taxpayers who sell their self-developed and produced software products, the policy of immediate collection and refund will be implemented for the portion of their actual VAT burden exceeding 3%. This year, the Company received a total of RMB 106,883,923.97 in VAT refunds for software products.

VII. Notes to Consolidated Financial Statement Items

1. Monetary capital

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	18,849.60	7,441.49
Bank deposit	8,996,083,246.64	7,258,412,019.84
Other monetary capitals	13,433,460.05	18,859,879.58
Total	9,009,535,556.29	7,277,279,340.91
Including: Total amount of payments deposited overseas	1,784,117,040.60	404,737,608.05
Total amount of funds restricted to use because of mortgage, pledge or freezing	13,433,459.98	18,859,309.20

Other descriptions:

Other monetary capitals are presented in detail as follows:

Item	Ending balance	Beginning balance
Interest payable	1,656,666.67	
L/G deposit	6,095,667.17	
Foreign exchange settlement deposit	506,556.15	505,086.30
L/G deposit	5,174,569.99	18,354,222.90
Refundable deposits	0.07	570.38
Total	13,433,460.05	18,859,879.58

Other descriptions: The amount of monetary capitals deposited in Inspur Group Finance Limited at the end of the period is RMB 3,652,020,705.41, of which the amount on the fixed deposit certificate is RMB 100,000,000.00, and the remaining amount is all bank current deposits.

2. Trading financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets measured at the fair value with the changes included into the current profits and losses	32,761,494.45	400,068,219.18
Including:		
Including: Bank financial products		400,068,219.18
Equity instrument investments	24,000,000.00	
Interest rate swap contract	8,761,494.45	
Including:		
Total	32,761,494.45	400,068,219.18

Other descriptions:

3. Notes receivable

(1) Presentation of notes receivables in classification

Unit: RMB

Item	Ending balance	Beginning balance
Commercial acceptance bills	74,613,121.71	
Total	74,613,121.71	

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Including:										
Notes receivable with bad-debt reserves by portfolio	78,540,128.12	100.00%	3,927,006.41	5.00%	74,613,121.71					
Including:										
Commercial acceptance bills	78,540,128.12	100.00%	3,927,006.41	5.00%	74,613,121.71					
Total	78,540,128.12	100.00%	3,927,006.41	5.00%	74,613,121.71					

Withdrawal of bad-debt reserves in portfolios:

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Commercial acceptance bills	78,540,128.12	3,927,006.41	5.00%
Total	78,540,128.12	3,927,006.41	

Descriptions for determining the combination basis:

If the bad-debt reserves of notes receivable are made according to the general model of expected credit loss, refer to the disclosure method of other receivables to disclose relevant information on bad-debt reserves:

Applicable Not applicable

(2) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Commercial acceptance bills		3,927,006.41				3,927,006.41
Total		3,927,006.41				3,927,006.41

Thereinto, important amounts of bad-debt reserves recovered or reversed in the current period:

Applicable Not applicable

(3) Notes receivable that has been pledged by the Company at the end of the period

Unit: RMB

Item	Pledged amount at the end of the period

(4) Notes receivable that the Company has endorsed or discounted and has not yet expired within the balance sheet date at the end of the period

Unit: RMB

Item	Derecognized amount at the end of the period	Recognized amount at the end of the period

(5) Notes transferring to accounts receivable by the Company at the end of the period because the drawer fails to perform contract

Item	Amount transferring to accounts receivable at the end of the period

Other descriptions:

(6) Actual write-off notes receivable in the current period

Unit: RMB

Item	Written-off amount

Thereinto, conditions for write-off of important notes receivable:

Unit: RMB

Unit name	Nature of notes receivable	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction

Description of write-off of notes receivable:

4. Accounts receivable

(1) Classification disclosure of accounts receivable

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Accounts receivable for which bad-debt reserves are recognized on an individual basis	294,984,199.70	2.46%	294,984,199.70	100.00%		265,745,722.27	2.06%	265,745,722.27	100.00%	
Including:										
Accounts receivable with significant single amount and separately withdrawn bad-debt reserves	290,006,324.81	2.42%	290,006,324.81	100.00%		265,484,222.27	2.05%	265,484,222.27	100.00%	
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	4,977,874.89	0.04%	4,977,874.89	100.00%		261,500.00	0.01%	261,500.00	100.00%	
Accounts receivable for which bad-debt reserves are recognized on a combination basis	11,691,861,739.32	97.54%	650,454,537.10	5.56%	11,041,407,202.22	12,653,450,249.28	97.94%	683,678,451.80	5.40%	11,969,771,797.48
Including:										
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	11,691,861,739.32	97.54%	650,454,537.10	5.56%	11,041,407,202.22	12,653,450,249.28	97.94%	683,678,451.80	5.40%	11,969,771,797.48
Total	11,986,845,939.02	100.00%	945,438,736.80	7.89%	11,041,407,202.22	12,919,195,971.55	100.00%	949,424,174.07	7.35%	11,969,771,797.48

Withdrawal of bad-debt reserves by single item: Accounts receivable with significant single amount and separately withdrawn bad-debt reserves

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
VENEZOLANA DE INDUSTRIA TECNOLÓGICA, C.A.	290,006,324.81	290,006,324.81	100.00%	Affected by the local foreign exchange risk, it is expected that it will not be recovered
Total	290,006,324.81	290,006,324.81		

Withdrawal of bad-debt reserves by single item: Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	4,977,874.89	4,977,874.89	100.00%	The Company has been revoked or cancelled
Total	4,977,874.89	4,977,874.89		

Withdrawal of bad-debt reserves in portfolios: Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Receivables from other customers portfolios	11,691,861,739.32	650,454,537.10	5.56%
Total	11,691,861,739.32	650,454,537.10	

Descriptions for determining the combination basis:

If the bad-debt reserves of accounts receivable are made according to the general model of expected credit loss, refer to the disclosure method of other receivables to disclose relevant information on bad-debt reserves:

Applicable Not applicable

Disclosure by account age

Unit: RMB

Account age	Book balance
Within 1 year (inclusive)	11,523,690,013.87
1-2 years	110,194,290.56
2-3 years	40,997,648.68
Over 3 years	311,963,985.91
3-4 years	17,004,394.67
4-5 years	5,145,356.33
Over 5 years	289,814,234.91
Total	11,986,845,939.02

(2) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Accounts receivable with significant single amount and separately withdrawn bad-debt reserves	265,484,222.27	24,198,033.17			324,069.37	290,006,324.81
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	261,500.00	4,716,374.89				4,977,874.89
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	683,678,451.80	101,149,518.41	140,268,482.12		5,895,049.01	650,454,537.10
Total	949,424,174.07	130,063,926.47	140,268,482.12		6,219,118.38	945,438,736.80

Thereinto, important amounts of bad-debt reserves recovered or reversed in the current period:

Unit: RMB

Unit name	Amount recovered or reversed	Recovery method
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(3) Actual write-off accounts receivable in the current period

Unit: RMB

Item	Written-off amount
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Thereinto, conditions for write-off of important accounts receivable:

Unit: RMB

Unit name	Nature of accounts receivable	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction
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Description of write-off of accounts receivable:

(4) Accounts receivable of the top five among ending balance collected by the debtor

Unit: RMB

Unit name	Ending balance of accounts receivable	Proportion of the total ending balance of accounts receivable	Ending balance of bad-debt reserves
Customer 1	1,265,711,733.32	10.56%	63,285,586.67
Customer 2	1,002,735,842.44	8.37%	50,136,792.12
Customer 3	861,224,162.45	7.18%	43,061,208.12
Customer 4	811,437,530.57	6.77%	40,571,876.53
Customer 5	740,847,823.29	6.18%	37,044,416.16
Total	4,681,957,092.07	39.06%	

(5) Amount of assets and liabilities formed from transfer of accounts receivable and continuous involvement

(6) Accounts receivable derecognized due to transfer of financial assets

The Company derecognized accounts receivable due to its accounts receivable factoring business, which amounted to RMB 1,543,521,134.93.

5. Receivables financing

Unit: RMB

Item	Ending balance	Beginning balance
Accounts receivable measured at fair value with changes included in other comprehensive incomes	2,373,621.26	18,318,958.03
Notes receivable measured at fair value with changes included in other comprehensive incomes	572,890,885.59	263,818,771.47
Total	575,264,506.85	282,137,729.50

Changes in increase or decrease and changes in fair value of receivables financing in the current period

Applicable Not applicable

If the impairment reserves of receivables financing are made according to the general model of expected credit loss, refer to the disclosure method of other receivables to disclose relevant information on impairment reserves:

Applicable Not applicable

Other descriptions:

(1) Accounts receivable measured at fair value with changes included in other comprehensive incomes

Item	Ending balance	Beginning balance
Accounts receivable measured at fair value with changes included in other comprehensive incomes	2,373,621.26	18,318,958.03
Minus: Bad-debt reserves		
Total	2,373,621.26	18,318,958.03

Other descriptions: Some of our subsidiaries factoring their accounts receivable based on their daily fund management needs, therefore the Company classifies the remaining accounts receivable on their books as financial assets measured at the fair value with the changes included into other comprehensive incomes. The fair value of this portion of accounts receivable is RMB 2,373,621.26, and the bad-debt reserves measured based on expected credit losses for the entire existence period are RMB 0.00.

(2) Notes receivable measured at the fair value with the changes included into other comprehensive incomes

Other descriptions: The Company endorses some bank acceptance bills according to the needs of daily fund management, so the remaining bank acceptance bills on the book are classified as financial assets measured at the fair value with the changes included into other comprehensive incomes.

As of December 31, 2022, the Company measured bad-debt reserves for notes receivable measured at fair value with changes included into other comprehensive incomes based on expected credit losses over the entire term. The Company believed that the bankers' acceptance bill held did not have significant credit risk and would not cause significant losses due to bank default, so the bad-debt reserves were not calculated and withdrawn.

(3) Receivables financing that has been pledged by the Company at the end of the period: None.

(4) Receivables financing that the Company has endorsed or discounted and has not yet expired within the balance sheet date at the end of the period

Item	Derecognized amount at the end of the period	Recognized amount at the end of the period
Bank acceptance bills	369,906,128.79	
Commercial acceptance bills		
Total	369,906,128.79	

6. Advance payment**(1) Presentation of advance payment by account age**

Unit: RMB

Account age	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	116,271,672.05	97.24%	45,277,382.85	82.52%
1-2 years	3,277,896.32	2.74%	2,670,380.82	4.87%
2-3 years	26,279.73	0.02%	6,918,550.44	12.61%
Total	119,575,848.10		54,866,314.11	

Description for reasons of failure in timely settlement of advance payment with over 1 year of account age and important amounts:

None.

(2) Advance payment of the top five among ending balance collected as per the advance payment object

Total amount of the first five advance payment of ending balance collected as per advance payment object is RMB 88,922,354.10, accounting for 74.36% in total amount of ending balance of advance payment.

Other descriptions:

7. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	77,860,207.20	63,026,008.69
Total	77,860,207.20	63,026,008.69

(1) Interests receivable**1) Classification of interests receivable**

Unit: RMB

Item	Ending balance	Beginning balance

2) Important overdue interests

Unit: RMB

Borrower	Ending balance	Overdue time	Overdue reason	Impairment or not and its judgment basis

Other descriptions:

3) Bad-debt reserves

Applicable Not applicable

(2) Dividends receivable**1) Classification of dividends receivable**

Unit: RMB

Item (or investee)	Ending balance	Beginning balance
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2) Dividends receivable when important aging exceeds 1 year

Unit: RMB

Item (or investee)	Ending balance	Account age	Reasons of unrecovered	Impairment or not and its judgment basis
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3) Bad-debt reserves Applicable Not applicable

Other descriptions:

(3) Other receivables**1) Classification of other receivables according to the nature of payment**

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Staff reserves	8,549,489.10	14,044,938.58
Deposits	5,950,570.62	6,943,556.98
Accounts receivable related to KB business	2,136,196.71	1,955,236.86
Other payments	34,355,878.80	9,153,173.84
Performance bond	64,798,837.78	57,349,182.70
Intercourse funds	3,297,135.78	7,063,901.00
Total	119,088,108.79	96,509,989.96

2) Bad-debt reserves

Unit: RMB

Bad-debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the future 12 months	Expected credit loss throughout the entire duration (credit impairment that has not occurred)	Expected credit loss throughout the entire duration (credit impairment that has occurred)	
Balance as of January 1, 2022	31,385,421.91		2,098,559.36	33,483,981.27
Balance as of January 1, 2022 in the current period				
- Transfer to Stage II	-2,003,543.34	2,003,543.34		
- Transfer to Stage III	-4,976,859.01		4,976,859.01	
Calculation and withdrawal in the current period	3,784,511.14	533,656.21	3,207,003.98	7,525,171.33
Other changes	37,789.14		180,959.85	218,748.99
Balance as of December 31, 2022	28,227,319.84	2,537,199.55	10,463,382.20	41,227,901.59

Changes in the book balance with significant changes in loss reserves for the current period

 Applicable Not applicable

Disclosure by account age

Unit: RMB

Account age	Book balance
Within 1 year (inclusive)	52,206,299.17
1-2 years	13,866,076.95
2-3 years	10,093,634.11
Over 3 years	42,922,098.56
3-4 years	8,013,145.36
4-5 years	11,106,622.53
Over 5 years	23,802,330.67
Total	119,088,108.79

3) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Other receivables with expected credit loss of 0 and no provision for credit impairment losses						
Other receivables with expected credit impairment throughout the entire existence period	2,098,559.36	8,183,862.99			180,959.85	10,463,382.20
Other receivables reserved for bad debts in accordance with the same credit risk characteristic portfolio	31,385,421.91		658,691.66		37,789.14	30,764,519.39
Total	33,483,981.27	8,183,862.99	658,691.66		218,748.99	41,227,901.59

Thereinto, important amounts of bad-debt reserves reversed or recovered in the current period:

Unit: RMB

Unit name	Amount reversed or recovered	Recovery method

4) Other receivables actually written off in current period

Unit: RMB

Item	Written-off amount

Thereinto, conditions for write-off of important other receivables:

Unit: RMB

Unit name	Nature of other receivables	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction

Write-off descriptions of other receivables:

5) Other receivables of the top five among ending balance collected by the debtor

Unit: RMB

Unit name	Nature of payment	Ending balance	Account age	Proportion of the total ending balance of other receivables	Ending balance of bad-debt reserves
Unit 1	Deposits	17,297,135.85	1-5 years	14.52%	12,186,499.73
Unit 2	Other payments - to be paid	15,467,243.21	Within 1 year	12.99%	773,362.16
Unit 3	Deposits	6,709,115.60	Over 5 years	5.63%	4,695,292.48
Unit 4	Other payments - to be paid	4,181,123.71	Within 1 year	3.51%	209,056.19
Unit 5	Deposits	3,698,000.00	Within 1 year	3.11%	184,900.00
Total		47,352,618.37		39.76%	18,049,110.56

6) Receivables involving government subsidies

Unit: RMB

Unit name	Government subsidy project name	Ending balance	Ending aging	Predicted collecting time, amount and evidence

7) Other receivables derecognized due to transfer of financial assets

None

8) Amount of assets and liabilities formed from transfer of other receivables and continuous involvement

Other descriptions:

8. Inventory

Whether the Company needs to comply with real estate industry disclosure requirements

No

(1) Classification of inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Inventory falling price reserves/impairment reserves for contract performance cost	Book value	Book balance	Inventory falling price reserves/impairment reserves for contract performance cost	Book value
Raw materials	13,266,287,104.17	726,383,939.31	12,539,903,164.86	17,914,307,809.22	764,666,894.70	17,149,640,914.52
Products in progress	609,787,233.85		609,787,233.85	899,448,909.40		899,448,909.40
Inventory goods	1,843,224,143.29	87,534,764.66	1,755,689,378.63	4,370,579,813.18	152,176,377.56	4,218,403,435.62
Goods shipped in transit	119,252,158.93		119,252,158.93	134,735,308.03		134,735,308.03
Total	15,838,550,640.24	813,918,703.97	15,024,631,936.27	23,319,071,839.83	916,843,272.26	22,402,228,567.57

(2) Inventory falling price reserves and impairment reserves for contract performance cost

Unit: RMB

Item	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Calculation and withdrawal	Others	Reverse or write-off	Others	
Raw materials	764,666,894.70	436,558,887.14	6,380,474.33	481,222,316.86		726,383,939.31
Inventory goods	152,176,377.56	18,935,171.91	185,996.71	83,762,781.52		87,534,764.66
Total	916,843,272.26	455,494,059.05	6,566,471.04	564,985,098.38		813,918,703.97

(3) Description of ending balance of inventory including the amount of borrowing expense capitalization

N/A.

(4) Description of current amortization amount of the contract performance cost

9. Other current assets

Unit: RMB

Item	Ending balance	Beginning balance
Remittance in transit	12,528,680.30	
Prepaid taxes	163,506,014.86	60,838,530.06
Unamortized expenses	3,431,473.38	1,804,336.79
Taxes to be deductible	1,141,072,732.34	960,891,457.59
Export tax rebate receivable	298,780,596.49	277,251,592.17
Prepaid franchise fees	4,908,098.88	5,754,521.87
Total	1,624,227,596.25	1,306,540,438.48

Other descriptions:

10. Long-term equity investment

Unit: RMB

Investee	Beginning balance (book value)	Increase/decrease changes in the current period								Ending balance (book value)	Ending balance of impairment reserves	
		Additional investments	Negative investments	Investment profit and loss recognized by the equity method	Adjustments of other comprehensive incomes	Other equity changes	Cash dividends or profits to be issued as announced	Provision for impairment reserves	Others			
I. Joint venture												
Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	85,053,660.77			50,652,119.88		561,066.67					136,266,847.32	
Subtotal	85,053,660.77			50,652,119.88		561,066.67					136,266,847.32	
二、联营企业												
Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	155,457,360.13			3,724,849.72							159,182,209.85	
TUNGKONG INC.	55,883,761.81			4,800,193.73			5,837,478.60				54,846,476.94	

Shandong SinoChip Semiconductors Co., Ltd.	5,983,495.43			397,233.50						6,380,728.93	
Shandong Huaxin Youchuang Technology Co., Ltd.	4,494,355.67			1,044,496.53						3,449,859.14	
Subtotal	221,818,973.04			7,877,780.42			5,837,478.60			223,859,274.86	
Total	306,872,633.81			58,529,900.30		561,066.67	5,837,478.60			360,126,122.18	

Other descriptions:

11. Investment property

(1) Investment property measured by the cost method

Applicable Not applicable

Unit: RMB

Item	Buildings and structures	Land use right	Construction in progress	Total
I. Original book value				
1. Beginning balance	138,059,768.44			138,059,768.44
2. Amount increased in the current period				
(1) Outsourcing				
(2) Inventory\fixed assets\transferred into construction in progress				
(3) Increase due to business combination				
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	138,059,768.44			138,059,768.44

II. Accumulated depreciation and accumulated amortization				
1. Beginning balance	41,429,586.01			41,429,586.01
2. Amount increased in the current period	3,488,390.64			3,488,390.64
(1) Calculation and withdrawal or amortization	3,488,390.64			3,488,390.64
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	44,917,976.65			44,917,976.65
III. Impairment reserves				
1. Beginning balance	4,014,480.00			4,014,480.00
2. Amount increased in the current period				
(1) Calculation and withdrawal				
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	4,014,480.00			4,014,480.00
IV. Book value				
1. Ending book value	89,127,311.79			89,127,311.79
2. Beginning book value	92,615,702.43			92,615,702.43

(2) Investment property measured at the fair value

Applicable Not applicable

(3) Investment property without property right certificate

Unit: RMB

Item	Book value	Reason for not obtaining the property right certificate

Other descriptions:

12. Fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	1,215,186,230.72	979,437,091.63
Total	1,215,186,230.72	979,437,091.63

(1) Fixed assets

Unit: RMB

Item	Buildings and structures	Machinery and equipment	Transport equipment	Electronic equipment	Other equipment	Total
I. Original book value:						
1. Beginning balance	478,238,772.70	524,198,051.82	27,357,579.37	139,090,977.41	419,988,781.71	1,588,874,163.01
2. Amount increased in the current period	167,191,428.49	151,417,446.56	1,696,220.15	16,184,467.96	114,899,194.34	451,388,757.50
(1) Acquisition	3,152,184.92	110,972,442.38	1,564,071.33	12,993,149.52	113,134,299.77	241,816,147.92
(2) Transferred into construction in progress	139,683,066.17	40,258,191.30		1,853,528.13		181,794,785.60
(3) Increase due to business combination						
(4) Others	24,356,177.40	186,812.88	132,148.82	1,337,790.31	1,764,894.57	27,777,823.98
3. Amount decreased in the current period		1,306,309.81	417,964.37	306,782.22	642,728.71	2,673,785.11
(1) Disposal or scrapping		1,306,309.81	417,964.37	306,782.22	642,728.71	2,673,785.11
4. Ending balance	645,430,201.19	674,309,188.57	28,635,835.15	154,968,663.15	534,245,247.34	2,037,589,135.40

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

II. Accumulated depreciation						
1. Beginning balance	92,369,083.82	196,152,541.81	22,950,941.58	95,515,822.95	172,119,456.31	579,107,846.47
2. Amount increased in the current period	18,158,290.41	104,297,966.92	1,042,627.04	18,522,484.92	72,290,803.57	214,312,172.86
(1) Calculation and withdrawal	16,171,461.88	104,230,714.15	955,461.01	17,578,781.02	71,683,960.31	210,620,378.37
(2) Others	1,986,828.53	67,252.77	87,166.03	943,703.90	606,843.26	3,691,794.49
3. Amount decreased in the current period		514,327.04	152,177.10	297,559.30	382,276.12	1,346,339.56
(1)		514,327.04	152,177.10	297,559.30	382,276.12	1,346,339.56
Disposal or scrapping						
4. Ending balance	110,527,374.23	299,936,181.69	23,841,391.52	113,740,748.57	244,027,983.76	792,073,679.77
III. Impairment reserves						
1. Beginning balance		8,875.54	224,118.36	911,640.06	29,184,590.95	30,329,224.91
2. Amount increased in the current period						
(1) Calculation and withdrawal						
3. Amount decreased in the current period						
(1) Disposal or scrapping						
4. Ending balance		8,875.54	224,118.36	911,640.06	29,184,590.95	30,329,224.91
IV. Book value						
1. Ending book value	534,902,826.96	374,364,131.34	4,570,325.27	40,316,274.52	261,032,672.63	1,215,186,230.72
2. Beginning book value	385,869,688.88	328,036,634.47	4,182,519.43	42,663,514.40	218,684,734.45	979,437,091.63

(2) Temporary idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment reserves	Book value	Remarks
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(3) Fixed assets rented in through operating lease

Unit: RMB

Item	Ending book value
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(4) Fixed assets without property right certificate

Unit: RMB

Item	Book value	Reason for not obtaining the property right certificate
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Other descriptions:

(5) Liquidation of fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
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Other descriptions:

13. Construction in progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	841,195,769.28	121,384,942.40
Total	841,195,769.28	121,384,942.40

(1) Construction in progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Suncun Industrial Park automation Library Project	285,709.66		285,709.66			
Guiyang Inspur big Data Industrial Park	9,642,161.43		9,642,161.43	72,692,341.11		72,692,341.11
Suzhou Factory Phase III Project				48,692,601.29		48,692,601.29
R&D Office Building	826,834,862.26		826,834,862.26			
QTechEco Quality Management System Development Platform V4.0	669,026.50		669,026.50			
Mobile 5G Smart Factory Project	3,764,009.43		3,764,009.43			
Total	841,195,769.28		841,195,769.28	121,384,942.40		121,384,942.40

(2) Changes of major construction in progress in the current period

Unit: RMB

Project name	Budget	Beginning balance	Amount increased in the current period	Transfer-in amount of fixed assets in the current period	Other decreased amount in the current period	Ending balance	Proportion of accumulative engineering investment in budget	Project progress	Accumulated amount of interest capitalization	Including: Interest capitalization amount of the current period	Interest capitalization rate of the current period	Sources of funds
Guiyang Inspur big Data Industrial Park	180,000,000.00	72,692,341.11	82,706,528.41	145,295,680.09	461,028.00	9,642,161.43	97.56%	93.8%	2,254,706.05	2,021,879.89	3.42%	Others
Suzhou Factory Phase III Project	120,000,000.00	48,692,601.29	342,477.88	36,499,105.51	12,535,973.66		99.22%	100%				Others
R&D Office Building	890,000,000.00		826,834,862.26			826,834,862.26	92.90%	92.9%				Others
Total	1,190,000,000.00	121,384,942.40	909,883,868.55	181,794,785.60	12,997,001.66	836,477,023.69			2,254,706.05	2,021,879.89	3.42%	

(3) Calculation and withdrawal of construction in progress impairment reserve in the current period

Unit: RMB

Item	Accrued amount in current period	Reason for calculation and withdrawal
Other descriptions:		

(4) Project materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value

Other descriptions:

14. Right-of-use assets

Unit: RMB

Item	Plant lease	Office area lease	Total
I. Original book value			
1. Beginning balance	37,385,464.21	34,894,694.15	72,280,158.36
2. Amount increased in the current period	22,980,480.62	1,214,105.64	24,194,586.26
(1) Lease	22,217,242.54	1,214,105.64	23,431,348.18
(2) Other increase	763,238.08		763,238.08
3. Amount decreased in the current period		9,841,361.87	9,841,361.87
(1) Termination		9,841,361.87	9,841,361.87
4. Ending balance	60,365,944.83	26,267,437.92	86,633,382.75
II. Accumulated depreciation			
1. Beginning balance	6,435,440.66	11,280,566.31	17,716,006.97
2. Amount increased in the current period	10,887,983.13	7,763,702.46	18,651,685.59
(1) Calculation and withdrawal	10,721,458.46	7,763,702.46	18,485,160.92
(2) Other increase	166,524.67		166,524.67
3. Amount decreased in the current period		9,841,361.87	9,841,361.87
(1) Disposal			
(2) Termination		9,841,361.87	9,841,361.87
4. Ending balance	17,323,423.79	9,202,906.90	26,526,330.69
III. Impairment reserves			
1. Beginning balance			
2. Amount increased in the current period			
(1) Calculation and withdrawal			
3. Amount decreased in the current period			
(1) Disposal			
4. Ending balance			
IV. Book value			
1. Ending book value	43,042,521.04	17,064,531.02	60,107,052.06
2. Beginning book value	30,950,023.55	23,614,127.84	54,564,151.39

Other descriptions:

15. Intangible assets**(1) Intangible assets**

Unit: RMB

Item	Land use right	Patent right	Non-patented technology	Outsourced proprietary software	Total
I. Original book value					
1. Beginning balance	210,999,357.40		552,484,713.45	406,370,275.35	1,169,854,346.20
2. Amount increased in the current period			100,494,198.40	15,218,469.46	115,712,667.86
(1) Acquisition			100,494,198.40	15,160,748.49	115,654,946.89
(2) Internal research and development					
(3) Increase due to business combination					
(4) Others				57,720.97	57,720.97
3. Amount decreased in the current period			430,883,653.99	48,370,237.55	479,253,891.54
(1) Disposal			430,883,653.99	48,370,237.55	479,253,891.54
4. Ending balance	210,999,357.40		222,095,257.86	373,218,507.26	806,313,122.52
II. Accumulated amortization					
1. Beginning balance	44,383,999.17		396,514,613.06	216,143,689.06	657,042,301.29
2. Amount increased in the current period	4,370,703.72		78,982,019.81	40,996,981.28	124,349,704.81
(1) Calculation and withdrawal	4,370,703.72		78,982,019.81	40,975,207.65	124,327,931.18
(2) Others				21,773.63	21,773.63
3. Amount decreased in the current period			352,304,671.88	30,891,983.49	383,196,655.37
(1) Disposal			352,304,671.88	30,891,983.49	383,196,655.37
4. Ending balance	48,754,702.89		123,191,960.99	226,248,686.85	398,195,350.73

III. Impairment reserves					
1. Beginning balance			78,779,688.77	35,129,965.21	113,909,653.98
2. Amount increased in the current period			7,426,146.82		1,426,146.82
Amount					
(1) Calculation and withdrawal			7,426,146.82		7,426,146.82
3. Amount decreased in the current period			86,205,835.59	7,910,429.41	94,116,265.00
(1) Disposal			86,205,835.59	7,910,429.41	94,116,265.00
4. Ending balance				27,219,535.80	27,219,535.80
IV. Book value					
1. Ending book value	162,244,654.51		98,903,296.87	119,750,284.61	380,898,235.99
2. Beginning book value	166,615,358.23		77,190,411.62	155,096,621.08	398,902,390.93

At the end of the current period, intangible assets formed through internal research and development accounted for 2.66% of the intangible asset balance.

(2) Land use right without property right certificate

Unit: RMB

Item	Book value	Reason for not obtaining the property right certificate
Land of Guiyang Inspur big Data Industrial Park	22,129,344.00	In process

Other descriptions:

16. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of the investee and matters generating goodwill	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Resulted from business combination		Disposal		
Inspur (Beijing) Electronic Information Industry Co., Ltd.	643,015.39					643,015.39
Total	643,015.39					643,015.39

(2) Goodwill impairment reserves

Unit: RMB

Name of the investee and matters generating goodwill	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Calculation and withdrawal		Disposal		
Total						

Related information about the asset group or asset group portfolio in which the goodwill is located

Explain the impairment test process for goodwill, key parameters (such as the growth rate in forecast period when the present value of future cash flows is expected, the growth rate in steady period, the profit rate, the discount rate, the forecast period, etc.), and the recognition method of the impairment loss for goodwill

Influence of goodwill impairment test

Other descriptions:

17. Long-term unamortized expenses

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount amortized in the current period	Other decreased amount	Ending balance
Industrial park renovation fee	4,408,297.78		1,141,568.40		3,266,729.38
Xiamen production line chassis modification cost		1,185,309.74	177,796.44		1,007,513.30
Jinan factory renovation	2,630,446.90		656,820.20		1,973,626.70
Industrial park exterior wall and LED renovation	589,419.24		191,162.88		398,256.36
NCT production line technical service fee	648,584.35		353,773.56		294,810.79
Decoration fee for Building S05	5,613,023.96	2,129,037.37	2,672,095.94		5,069,965.39
Sporadic works in the Suncun Village factory area	8,758,253.99	6,221,521.65	3,617,843.39		11,361,932.25
Renovation of Beijing office area	2,824,401.44	229,109.06	1,084,792.67		1,968,717.83
Renovation of Jinan office area	68,785.79	770,203.75	188,803.90		650,185.64
Miscellaneous expenses	5,621,584.99	3,429,323.75	1,583,749.82		7,467,158.92
Suzhou plant renovation	51,194,869.15	19,585,937.85	18,805,010.22		51,975,796.78
Xiamen factory production network installation	40,272.88		25,435.44		14,837.44
Other decoration expenses	81,447.51	3,356,200.17	168,151.77		3,269,495.91
Gangsheng Building Renovation Project	1,309,041.39		404,945.76		904,095.63
Guangzhou Platform Laboratory Renovation Project	620,532.48		173,171.85		447,360.63
Total	84,408,961.85	36,906,643.34	31,245,122.24		90,070,482.95

Other descriptions:

18. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets without offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Asset impairment reserves	774,642,847.21	129,286,052.01	989,161,404.69	148,890,267.06
Unrealized profits of internal transaction	273,094,091.38	36,728,787.55	298,784,330.73	44,817,649.61
Deductible losses	10,895,453.43	2,723,863.36	10,331,357.14	2,582,839.28
Bad-debt reserves of accounts receivable	540,693,659.54	85,842,205.87	666,564,380.53	106,227,538.39
Deferred incomes	142,917,189.59	21,534,739.62	113,581,305.96	16,278,954.16
Quality assurance cost	320,651,646.27	48,097,746.95	304,254,473.75	45,638,171.06
Customer service value-added services revenue			99,353,640.68	14,903,046.10
Lease	3,991,735.27	704,803.52	3,317,880.02	497,333.29
Suspense credit	192,539,500.00	28,880,925.00		
Total	2,259,426,122.69	353,799,123.88	2,485,348,773.50	379,835,798.95

(2) Deferred income tax liabilities without the offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Differences in US corporate tax policies	21,962,763.40	6,553,688.60	9,144,770.77	2,728,799.60
One-time deduction for fixed asset depreciation	40,532,527.37	9,903,704.20	46,801,228.53	11,700,307.13
Total	62,495,290.77	16,457,392.80	55,945,999.30	14,429,106.73

(3) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	658,766,407.41	454,660,994.06
Deductible losses	418,347,902.65	400,929,266.42
Total	1,077,114,310.06	855,590,260.48

(4) Deductible losses of unrecognized deferred income tax assets shall expire in the following years

Unit: RMB

Year	Ending amount	Beginning amount	Remarks
2022		3,966,082.77	
2023		6,024,418.71	
2024	41,220.38	2,438,814.71	
2025	198,839,237.28	191,770,370.82	
2026	133,987,154.35	196,729,579.41	
2027	85,480,290.64		
Total	418,347,902.65	400,929,266.42	

Other descriptions:

19. Other non-current assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Advance payment for equipment	42,007,635.42		42,007,635.42	31,624,722.64		31,624,722.64
Advance payment for construction	203,263.96		203,263.96	1,954,735.42		1,954,735.42
Advance for house-purchase funds	183,939.00		183,939.00			
Total	42,394,838.38		42,394,838.38	33,579,458.06		33,579,458.06

Other descriptions:

20. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Credit borrowings	4,954,374,375.02	4,558,032,922.89
Total	4,954,374,375.02	4,558,032,922.89

Descriptions of short-term borrowing classification:

(2) Overdue and outstanding short-term loans

The amount of overdue and outstanding short-term borrowing is RMB 0.00 at the end of the period. The important overdue and outstanding short-term borrowing is shown as follows:

Unit: RMB

Borrower	Ending balance	Borrowing interest rate	Overdue time	Overdue interest rate
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Other descriptions:

21. Trading financial liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Trading financial liabilities		3,016,539.09
Including:		
Interest rate swap contract measured at the fair value with the changes included into the current profits and losses		3,016,539.09
Including:		
Total		3,016,539.09

Other descriptions:

22. Notes payable

Unit: RMB

Category	Ending balance	Beginning balance
Commercial acceptance bills	96,612,750.13	272,475,999.11
Bank acceptance bills	1,104,801,472.30	1,271,265,667.54
Total	1,201,414,222.43	1,543,741,666.65

The amount of due unpaid notes payable is RMB 0.00 at the end of the current period.

23. Accounts payable**(1) Presentation of accounts payable**

Unit: RMB

Item	Ending balance	Beginning balance
Within 1 year (inclusive)	9,254,274,464.19	17,673,081,832.29
1-2 years (inclusive)	37,035,879.12	75,684,155.27
2-3 years (inclusive)	5,802,829.61	420,879.93
3-4 years (inclusive)	291,038.17	48,435.39
4-5 years (inclusive)	46,870.06	869,628.10
Over 5 years	3,702,687.90	3,449,416.62
Total	9,301,153,769.05	17,753,554,347.60

(2) Important accounts payable with aging more than 1 year

Unit: RMB

Item	Ending balance	Reasons for failing to repay or carry over

Other descriptions:

24. Contract liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Advances on sales	1,167,023,013.13	1,106,053,051.11
Advance collection of maintenance service fees	530,960,671.35	581,375,793.90
Total	1,697,983,684.48	1,687,428,845.01

Amount with major changes in its book value during the reporting period and its reasons

Unit: RMB

Item	Variation amount	Change reason

25. Payroll payable**(1) Presentation of payroll payable**

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
I. Short-term remuneration	462,579,041.71	3,168,213,860.57	3,046,025,581.30	584,767,320.98
II. Post-employment benefits - defined contribution plan	1,381,373.60	211,131,128.49	205,511,607.26	7,000,894.83
III. Dismissal benefits		1,577,185.59	1,572,764.24	4,421.35
Total	463,960,415.31	3,380,922,174.65	3,253,109,952.80	591,772,637.16

(2) Presentation of short-term remuneration

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
1. Wages, bonuses, allowances and subsidies	159,087,223.49	2,750,556,313.45	2,701,819,807.61	207,823,729.33
2. Employee services and benefits	300,220.59	59,417,379.73	59,531,879.47	185,720.85
3. Social insurance premium	3,440,714.53	117,449,190.64	119,846,410.13	1,043,495.04
Including: Medical insurance premium	695,565.29	111,019,912.58	110,774,691.87	940,786.00
Work-related injury insurance premium	61,644.97	4,544,944.15	4,554,274.45	52,314.67
Birth insurance premium	67,964.05	1,492,589.09	1,510,158.77	50,394.37
Other insurances	2,615,540.22	391,744.82	3,007,285.04	
4. Housing provident fund	392,486.21	152,601,958.55	151,829,082.76	1,165,362.00
5. Labor union funds and employees education funds	296,383,482.20	86,227,328.02	11,254,611.40	371,356,198.82
6. Short-term paid absences	2,974,914.69	1,961,690.18	1,743,789.93	3,192,814.94
Total	462,579,041.71	3,168,213,860.57	3,046,025,581.30	584,767,320.98

(3) Presentation of defined contribution plan

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
1. Basic endowment insurance	1,268,903.05	197,637,741.04	195,224,632.42	3,682,011.67
2. Unemployment insurance premium	112,470.55	7,902,821.67	7,910,943.34	104,348.88
3. Enterprise annuity payment		5,590,565.78	2,376,031.50	3,214,534.28
Total	1,381,373.60	211,131,128.49	205,511,607.26	7,000,894.83

Other descriptions:

26. Taxes payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	116,756,595.83	59,274,270.27
Corporate income tax	37,564,526.83	186,901,789.45
Individual income tax	80,625,823.50	50,403,114.04
Urban maintenance and construction taxes	3,067,299.22	2,118,870.63
Education surcharges	1,600,436.71	1,290,110.77
Local education surcharges	584,713.26	218,805.38
Local water conservancy fund	7,632.24	0.00
Property tax	787,737.57	779,550.37
Land use tax	770,981.71	583,355.51
Stamp tax	16,651,190.61	11,842,140.00
Tariff	9,799,491.33	4,452,598.69
Environmental protection tax	3,458.25	
Total	268,219,887.06	317,864,605.11

Other descriptions:

27. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Other payables	193,142,713.87	161,568,047.13
Total	193,142,713.87	161,568,047.13

(1) Interests payable

Unit: RMB

Item	Ending balance	Beginning balance
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Interest unpaid of important and overdue payment:

Unit: RMB

Borrower	Overdue amount	Overdue reason
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Other descriptions:

(2) Dividends payable

Unit: RMB

Item	Ending balance	Beginning balance
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Other descriptions, including the reasons that the dividends payable overdue unpaid for one year shall disclose but not pay:

(3) Other payables**1) Other payables presented by the nature of funds**

Unit: RMB

Item	Ending balance	Beginning balance
Spare parts credit deposit	7,500,955.50	7,467,821.50
Collection and deduction	32,415,361.90	28,976,094.85
Unpaid expenses	70,012,288.02	72,656,770.21
Project funds	838,020.33	380,506.04
Intercourse funds	82,376,088.12	52,086,854.53
Total	193,142,713.87	161,568,047.13

(2) Important other payables with aging more than 1 year

Unit: RMB

Item	Ending balance	Reasons for failing to repay or carry over
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Other descriptions:

28. Non-current liabilities due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	85,592,679.06	5,340,258.31
Lease liabilities due within one year	21,481,210.50	16,051,970.97
Total	107,073,889.56	21,392,229.28

Other descriptions:

29. Other current liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Short-term bonds payable		2,014,739,726.03
Output tax to be written-off	135,872,736.98	133,297,194.59
Suspense credit	192,539,500.00	
Total	328,412,236.98	2,148,036,920.62

Increase or decrease of short-term bonds payable:

Unit: RMB

Name of bonds	Face value	Issued date	Maturity of bonds	Amount issued	Beginning balance	Issue in the current period	Provision of interests based on face value	Amortization of premium and discount	Repayment in the current period	Ending balance
21 Inspur Electronic SCP003	100.00	2021/9/17	267 days	2,000,000,000.00	2,014,739,726.03		24,615,342.46		2,039,355,068.49	
21 Inspur Electronic SCP004	100.00	2021/12/30	268 days	1,000,000,000.00		1,000,000,000.00	19,090,410.96		1,019,090,410.96	
22 Inspur Electronic SCP001	100.00	2022/1/19	267 days	2,000,000,000.00		2,000,000,000.00	37,306,849.32		2,037,306,849.32	

22 Inspur Electronic SCP002 (Sci-Tech Innovation Notes)	100.00	2022/7/25	120 days	2,000,000,000.00		2,000,000,000.00	11,506,849.32	2,011,506,849.32
22 Inspur Electronic SCP003 (Sci-Tech Innovation Notes)	100.00	2022/10/25	62 days	1,000,000,000.00		1,000,000,000.00	2,751,780.82	1,002,751,780.82
22 Inspur Electronic SCP004 (Sci-Tech Innovation Notes)	100.00	2022/11/2	50 days	1,000,000,000.00		1,000,000,000.00	2,328,767.12	1,002,328,767.12
Total				9,000,000,000.00	2,014,739,726.03	7,000,000,000.00	97,600,000.00	9,112,339,726.03

Other descriptions:

30. Long-term borrowings

(1) Classification of long-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage borrowings	109,566,872.48	104,013,081.62
Guaranteed borrowings	850,000,000.00	878,000,000.00
Credit borrowings	3,261,962,818.63	528,275,849.99
Total	4,221,529,691.11	1,510,288,931.61

Descriptions of long-term borrowing classification:

Other descriptions, including the range of interest rate:

Notes: The mortgage borrowings are borrowed by InspurAssetHolding, Inc, a subsidiary of the Company, by mortgaging its own land and factory buildings. For the mortgage situation, refer to "Note VII. 59. Assets with Restricted Ownership or Use Rights".

31. Lease liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Lease payments	69,762,883.10	59,490,742.76
Unrecognized financing expenses	-4,245,071.76	-4,120,033.76
Lease liabilities due within one year	-21,481,210.50	-16,051,970.97
Total	44,036,600.84	39,318,738.03

Other descriptions:

32. Long-term payables

Unit: RMB

Item	Ending balance	Beginning balance
Special payables	735,000.00	735,000.00
Total	735,000.00	735,000.00

(1) Presentation of the long-term payables according to the payment nature

Unit: RMB

Item	Ending balance	Beginning balance
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Other descriptions:

(2) Special payables

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance	Cause of formation
Jinan Development Zone Finance Bureau	75,000.00			75,000.00	
Shandong Provincial Department of Information Industry	660,000.00			660,000.00	
Total	735,000.00			735,000.00	

Other descriptions:

33. Estimated liabilities

Unit: RMB

Item	Ending balance	Beginning balance	Cause of formation
Product quality assurance	320,651,646.27	304,254,473.75	
Total	320,651,646.27	304,254,473.75	

Other descriptions, including description of important assumptions and estimates of important estimated liabilities:

Important assumptions and estimates related to expected product quality assurance costs: the Company reasonably estimates the product quality assurance fee rate based on actual expenditure data and sales data of past product quality assurance costs, combined with the provisions of the Company's relevant product quality assurance policies and the expected future product quality assurance costs based on realized sales data.

34. Deferred incomes

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance	Cause of formation
Government subsidies	114,958,805.96	168,475,600.00	135,735,372.96	147,699,033.00	Government subsidies for R&D projects
Total	114,958,805.96	168,475,600.00	135,735,372.96	147,699,033.00	—

Projects involving government subsidies:

Unit: RMB

Liability item	Beginning balance	Newly increased subsidy amount in the current period	Amount included in non-operating income in the current period	Amount included into other incomes in the current period	Write-down costs of the current period	Other changes	Ending balance	Asset-related/income-related
Industrial support funds (Suzhou factory decoration subsidies)	30,000,000.00			10,000,000.00			20,000,000.00	Asset-related
Nanning production line equipment subsidies	12,637,362.67			1,895,604.36			10,741,758.31	Asset-related

Yunnan production line equipment subsidies	2,356,250.00			362,500.00			1,993,750.00	Asset-related
Other project subsidies	69,965,193.29	168,475,600.00		123,477,268.60			114,963,524.69	Income-related
Total	114,958,805.96	168,475,600.00	0.00	135,735,372.96	0.00	0.00	147,699,033.00	

Other descriptions:

35. Share capital

Unit: RMB

	Beginning balance	Increase (+) and decrease (-) in this change					Ending balance
		Issuance of new shares	Share donation	Provident fund converted into share capital	Others	Subtotal	
Total number of shares	1,453,721,310.00	9,988,206.00				9,988,206.00	1,463,709,516.00

Other descriptions:

The exercise of the second phase of this equity incentive resulted in an increase of 9,988,206 shares in share capital.

36. Other equity instruments

(1) Basic information of outstanding preferred shares, perpetual bonds, and other financial instruments at the end of the period

On July 23, 2020, the Company issued the Stage I 2020 medium-term notes (perpetual bonds) with a total amount of RMB 1 billion, a face value of RMB 100, and an issuance interest rate of 5.0%. The time limit is 3+N years. After deducting underwriting fees and related transaction expenses, the actual cash received was RMB 999 million.

(2) Changes in outstanding preferred shares, perpetual bonds, and other financial instruments at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Amount increased in the current period		Amount decreased in the current period		End of the period	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Perpetual bonds	10,000,000.00	999,697,169.81					10,000,000.00	999,697,169.81
Total	10,000,000.00	999,697,169.81					10,000,000.00	999,697,169.81

Description of the increase and decrease in other equity instruments and the reasons, and the basis of accounting treatment:

Other descriptions:

The perpetual medium-term note contracts issued by the Company do not include contractual obligations to deliver cash or other financial assets to other parties, nor do they include contractual obligations to exchange financial assets or liabilities with other parties under potential adverse conditions. Therefore, the Company recognizes them as other equity instruments in accordance with the definitions of equity instruments in the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, *Accounting Standards for Business Enterprises No. 37- Presentation of Financial Instruments*, and the *Provisions on the Differentiation and Related Accounting Treatment of Financial Liabilities and Equity Instruments*.

37. Capital reserves

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
Capital premium (share capital premium)	6,313,622,245.64	261,311,706.30		6,574,933,951.94
Other capital reserves	234,889,790.05	8,087,948.81	113,386,375.44	129,591,363.42
Total	6,548,512,035.69	269,399,655.11	113,386,375.44	6,704,525,315.36

Other descriptions, including the increase and decrease in the current period and reasons:

(1) Descriptions of changes in capital premium (share capital premium) and reasons for such changes:

- 1) The issuance of new shares (equity incentives) in the current period resulted in an increase of RMB 147,925,330.86 in capital premium (share capital premium);
- 2) The second exercise of equity incentives resulted in an increase of RMB 111,963,114.90 in capital premium (share capital premium);
- 3) In the current period, due to the abandonment of equity incentive exercise by employees, other capital reserves were transferred to capital premium (share capital premium) of RMB 1,423,260.54.

(2) Descriptions of changes in other capital reserves and reasons for such changes:

- 1) The provision of equity incentive expenses for the current period resulted in an increase of RMB 7,526,882.14 in other capital reserves;
- 2) The Company adjusted its long-term equity investment (other equity changes) and capital reserve (other capital reserves) in Shandong Inspur Yunhai Industry Development Investment Co., Ltd. based on its shareholding ratio, resulting in an increase of RMB 561,066.67 in other capital reserves;
- 3) The second exercise of equity incentives resulted in a decrease of RMB 111,963,114.90 in other capital reserves;
- 4) In the current period, due to the abandonment of equity incentive exercise by employees, other capital reserves were transferred to capital premium (share capital premium) of RMB 1,423,260.54.

38. Other comprehensive incomes

Unit: RMB

Item	Beginning balance	Accrual in the current period					Ending balance
		Amount incurred before income tax in the current period	Minus: Included into other comprehensive incomes at the earliest stage and transferred into the profits and losses in the current period	Minus: Included into other comprehensive incomes at the earliest stage and transferred into the retained earnings in the current period	Minus: Income tax expenses	Attributable to parent company after tax	
I. Other comprehensive incomes that cannot be reclassified into profits and losses	868,816.55						868,816.55
Changes in fair value of other equity instrument investments	868,816.55						868,816.55
II. Other comprehensive incomes that will be reclassified into the profits and losses	33,268,632.03	109,798,618.11				109,798,618.11	76,529,986.08
Including:	18,903.34						18,903.34
Other comprehensive incomes that can be transferred into the profits and losses under the equity method	7.63						7.63
Translation balance of foreign currency financial statements	52,171,979.66	109,798,618.11				109,798,618.11	57,626,638.45
Total other comprehensive incomes	34,137,448.58	109,798,618.11				109,798,618.11	75,661,169.53

Other descriptions, including transferring the effective part of cash flow hedge profit and loss to initial recognition amount adjustment of hedged items:

39. Surplus reserves

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
Statutory surplus reserves	565,764,689.46	166,328,712.89		732,093,402.35
Total	565,764,689.46	166,328,712.89		732,093,402.35

Descriptions of surplus reserves, including the increase and decrease in the current period and reasons:

40. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	5,628,296,600.21	4,058,458,395.22
Undistributed profit at the beginning of the period after adjustment	5,628,296,600.21	4,058,458,395.22
Plus: Net profit attributable to the owners of the parent company in the current period	2,080,350,926.43	2,002,738,391.78
Minus: Withdrawal of statutory surplus reserves	166,328,712.89	157,990,842.72
Common share dividends payable	203,520,983.40	159,909,344.07
Interest payable on perpetual bonds	50,000,000.00	115,000,000.00
Undistributed profits at the end of the period	7,288,797,830.35	5,628,296,600.21

Details of undistributed profit at the beginning of the period during adjustment period:

- 1) Due to retroactive adjustment for the *Accounting Standards for Business Enterprises* and its related new regulations, the affected undistributed profit at the beginning of the period is RMB.
- 2) The affected undistributed profit at the beginning of the period is RMB due to changes of accounting policy.
- 3) The affected undistributed profit at the beginning of the period is RMB due to correction of significant accounting error.
- 4) The affected undistributed profit at the beginning of the period is RMB due to the changes of consolidation scope under the common control.
- 5) The affected undistributed profit at the beginning of the period is RMB due to other adjustments.

41. Operating income and operating cost

Unit: RMB

Item	Accrual in the current period		Accrual in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	69,250,589,956.46	61,592,324,075.85	66,799,945,807.97	59,287,353,197.02
Other businesses	274,868,226.23	160,799,374.02	247,605,750.17	91,964,972.66
Total	69,525,458,182.69	61,753,123,449.87	67,047,551,558.14	59,379,318,169.68

Whether the net profit before and after deducting non-recurring gains and losses is negative after audit

Yes No

Information related to revenue:

Unit: RMB

Contract classification	Segment 1	Segment 2		Total
Goods type				
Including:				
Servers and components	68,948,052,085.88			68,948,052,085.88
IT terminals and bulk items	302,537,870.58			302,537,870.58
Others	274,868,226.23			274,868,226.23
Classification by operating area				
Including:				
China	60,360,902,206.57			60,360,902,206.57
Overseas	9,164,555,976.12			9,164,555,976.12
Total	69,525,458,182.69			69,525,458,182.69

Information related to performance obligations:

None.

Information related to the transaction price allocated to the remaining performance obligations:

The revenue corresponding to the performance obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of the reporting period is RMB 4,964,664,674.87, with RMB 4,964,664,674.87 expected to be recognized as revenue in 2023.

Other descriptions:

42. Taxes and surcharges

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Urban maintenance and construction taxes	16,658,418.50	15,548,820.59
Education surcharges	7,200,341.60	6,723,732.84
Property tax	6,624,241.41	2,980,179.72
Land use tax	2,713,655.50	2,470,516.70
Vehicle and vessel tax	37,350.00	35,455.00
Stamp tax	66,938,148.48	49,928,726.30
Local education surcharges	4,697,461.90	4,600,657.01
Local water conservancy fund	186,236.08	130,211.59
Environmental protection tax	17,291.25	
Total	105,073,144.72	82,418,299.75

Other descriptions:

43. Sales expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	220,900,554.93	331,071,302.93
Human resources costs	1,118,688,085.50	829,893,353.29
Asset holding expenses	18,789,835.47	23,360,162.21
Market expansion expenses	89,027,372.08	213,288,909.54
Other expenses	61,495,632.80	63,094,434.64
Total	1,508,901,480.78	1,460,708,162.61

Other descriptions:

44. Management expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	74,954,222.89	116,680,444.56
Human resources costs	511,354,209.79	469,101,445.34
Asset holding expenses	95,115,631.61	95,926,060.33
Other expenses	26,917,368.88	41,967,479.44
Total	708,341,433.17	723,675,429.67

Other descriptions:

45. R&D expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	424,557,064.10	389,863,653.99
Human resources costs	1,745,435,735.13	1,691,562,884.35
Asset holding expenses	188,817,406.92	206,073,682.21
Indirect expenses	871,615,805.23	633,794,593.02
Total	3,230,426,011.38	2,921,294,813.57

Other descriptions:

46. Financial expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Interest expenditure	359,727,643.53	239,056,415.85
Interest income	139,560,832.31	117,306,361.98
Lease liabilities - unrecognized financing costs and amortization	1,588,012.11	1,618,313.33
Net exchange gain (the income is expressed with "-")	-162,616,042.79	-213,798,316.51
Commission expenditures	24,372,395.29	29,364,998.17
Total	83,511,175.83	-61,064,951.14

Other descriptions:

47. Other incomes

Unit: RMB

Source of other incomes	Accrual in the current period	Accrual in the previous period
Asset-related government subsidies	12,258,104.36	54,229,304.00
Income-related government subsidies	211,795,444.41	201,975,530.67
Software tax refund for immediate collection and refund	106,883,923.97	105,138,040.92
Total	330,937,472.74	361,342,875.59

48. Return on investment

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Return on long-term equity investment accounted by the equity method	58,529,900.30	6,785,032.27
Return on investment from disposal of long-term equity investment	15,853.76	
Return on investment for disposal of trading financial assets	16,155,202.97	141,440,375.61
Total	74,700,957.03	148,225,407.88

Other descriptions:

49. Income from changes in fair value

Unit: RMB

Source of incomes from changes in fair value	Accrual in the current period	Accrual in the previous period
Trading financial assets		68,219.18
Interest rate swap contract measured at the fair value with the changes included into the current profits and losses	8,388,352.17	463,500.34
Total	8,388,352.17	531,719.52

Other descriptions:

50. Credit impairment losses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Bad-debt losses of other receivables	-7,525,171.33	-1,309,881.33
Bad-debt losses of accounts receivable	10,204,555.65	-169,192,151.46
Bad-debt losses of notes receivable	-3,927,006.41	
Total	-1,247,622.09	-170,502,032.79

Other descriptions:

51. Asset impairment losses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
II. Loss on inventory falling price and impairment loss of contract performance cost	-385,559,227.82	-663,754,731.17
V. Impairment loss of fixed assets		-29,082,652.01
X. Impairment loss of intangible assets	-7,426,146.82	-32,446,677.58
Total	-392,985,374.64	-725,284,060.76

Other descriptions:

52. Incomes from asset disposal

Unit: RMB

Source of incomes from assets disposal	Accrual in the current period	Accrual in the previous period
Profits or losses generated by disposing other non-current assets not divided into the held-for-sale category	242,416.85	-2,179,205.00
Total	242,416.85	-2,179,205.00

53. Non-operating income

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period	Amount included into the current non-recurring profits and losses
Government subsidies	5,000.00	4,000.00	5,000.00
Gains from the damage and scrapping of non-current assets	40,965.48	93,003.62	40,965.48
Incomes from penalties, etc.	6,676,960.16	7,645,053.36	6,676,960.16
Total	6,722,925.64	7,742,056.98	6,722,925.64

Government subsidies included into the current profits and losses:

Unit: RMB

Subsidy project	Issuing subject	Issuing reason	Nature type	Does the subsidiary affect the profit and loss of the current year?	Whether it is the special subsidy	Accrual in the current period	Accrual in the previous period	Asset-related/income-related
Public health subsidy	Xi'an High-tech Industrial Development Zone Talent Service Center	Subsidies	Subsidy gained from the specific industry encouraged and supported by the state (legally gain according to the state-level policy regulations)	No	No		4,000.00	Income-related
Public health subsidy	Zhengzhou Airport Economic Comprehensive Experimental Zone Economic Development Bureau (Statistics Bureau)	Subsidies	Subsidy gained from the specific industry encouraged and supported by the state (legally gain according to the state-level policy regulations)	No	No	5,000.00		Income-related

Other descriptions:

54. Non-operating expenditure

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period	Amount included into the current non-recurring profits and losses
Outward donation	421,726.04	358,138.83	421,726.04
Losses on the damage and scrapping of non-current assets	651,793.99	201,892.45	651,793.99
Penalty and late charge	1,135,743.75	334,308.13	1,135,743.75
Others	680,886.03	630,527.02	680,886.03
Total	2,890,149.81	1,524,866.43	2,890,149.81

Other descriptions:

55. Income tax expenses**(1) Table of income tax expenses**

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Current income tax expenses	79,355,632.29	190,577,188.20
Deferred income tax expenses	24,926,215.06	-60,953,387.88
Total	104,281,847.35	129,623,800.32

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	Accrual in the current period
Total profits	2,159,950,464.83
Income tax expenses at statutory/applicable tax rate	323,992,569.72
Influence of different tax rates on subsidiaries	2,178,312.88
Influence of income tax before the adjustment	-8,781,701.67
Influence of non-taxable incomes	-22,647,911.06
Influence of non-deductible costs, expenses and losses	27,019,749.41
Influence of deductible loss of deferred income tax assets not recognized in the early stage of use	-10,162,756.65
Influence of deductible temporary differences or deductible losses in unrecognized deferred income tax assets in the current period	86,540,890.59
Influence of R&D expenses plus deduction	-293,414,046.52
Others	-443,259.35
Income tax expenses	104,281,847.35

Other descriptions:

56. Other comprehensive incomes

Refer to Note VII. 36. Other Equity Instruments for details.

57. Items of cash flow statement

(1) Other cash received related to operating activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Government allocations	620,118,631.50	369,184,443.44
Interest income	137,904,165.64	117,325,504.76
Deposit, etc.	166,321,169.81	295,745,657.09
Total	924,343,966.95	782,255,605.29

Description of other cash received related to operating activities:

(2) Other cash paid related to operating activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Commission charges of financial institutions	24,372,395.29	21,949,478.97
Period expenses	1,926,044,246.56	1,703,279,919.43
Suspense payment	183,253,187.86	64,990,072.23
Total	2,133,669,829.71	1,790,219,470.63

Description of other cash paid related to operating activities:

(3) Other cash received related to investing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period

Description of other cash received related to investing activities:

(4) Other cash paid related to investing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period

Description of other cash paid related to investing activities:

(5) Other cash received related to financing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period

Description of other cash received related to financing activities:

(6) Other cash paid related to financing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Repayment of perpetual bonds		1,000,000,000.00
Repayment of lease liabilities	24,798,801.88	19,601,071.67
Total	24,798,801.88	1,019,601,071.67

Description of other cash paid related to financing activities:

58. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Unit: RMB

Supplementary information	Amount of the current period	Amount of the last period
1. Adjustment of the net profit into the cash flow of operating activities		
Net profit	2,055,668,617.48	2,029,929,728.67
Plus: Asset impairment reserves	394,232,996.73	895,786,093.55
Depreciation of fixed assets, waste of oil-gas assets and depreciation of productive biological assets	214,108,769.01	209,722,378.01
Depreciation of right-of-use assets	18,485,160.92	25,278,346.64
Amortization of intangible assets	124,327,931.18	127,220,471.72
Amortization of long-term unamortized expenses	31,245,122.24	43,753,920.74
Losses on disposal of fixed assets, intangible assets and other long-term assets (the income is expressed with "-")	-242,416.85	2,179,205.00
Losses on abandonment of fixed assets (the income is expressed with "-")	610,828.51	108,888.83
Loss on change in fair value (the income is expressed with "-")	-8,388,352.17	-531,719.52
Financial expenses (the income is expressed with "-")	466,103,769.89	243,733,249.28
Investment loss (the income is expressed with "-")	-74,700,957.03	-148,225,407.88
Decrease in deferred income tax assets (the increase is expressed with "-")	26,036,675.07	-58,715,611.64
Increase in deferred income tax liabilities (the decrease is expressed with "-")	-1,445,210.63	-1,337,101.36

Decrease in inventories (the increase is expressed with "-")	7,025,775,190.57	-12,120,488,794.45
Decrease in operational receivable items (the increase is expressed with "-")	3,810,395,508.89	-3,248,095,361.67
Increase in operational payable items (the decrease is expressed with "-")	-12,289,748,603.89	3,697,062,675.24
Others	7,526,882.14	13,045,066.85
Net cash flow generated from operating activities	1,799,991,912.06	-8,289,573,971.99
2. Important investing and financing activities unrelated to cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents:		
Ending balance of cash	8,996,102,096.31	7,258,420,031.71
Minus: Beginning balance of cash	7,258,420,031.71	9,952,056,143.05
Plus: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	1,737,682,064.60	-2,693,636,111.34

(2) Net cash paid for acquisition of the subsidiary in the current period

Unit: RMB

	Amount
Including:	

Other descriptions:

(3) Net cash paid received for disposal of the subsidiary in the current period

Unit: RMB

	Amount
Including:	

Other descriptions:

(4) Compositions of cash and cash equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	8,996,102,096.31	7,258,420,031.71
Including: Cash on hand	18,849.60	7,441.49
Bank deposit available for payment at any time	8,996,083,246.64	7,258,412,019.84
Other monetary capitals available for payment at any time	0.07	570.38
III. Balance of cash and cash equivalents at the end of the period	8,996,102,096.31	7,258,420,031.71

Other descriptions:

59. Assets with restricted ownership or use rights

Unit: RMB

Item	Ending book value	Reasons for restriction
Monetary capital	13,433,459.98	Margin deposit
Fixed assets	181,636,957.02	Mortgage of US land and factory buildings for borrowings
Total	195,070,417.00	

Other descriptions:

60. Foreign currency monetary items**(1) Foreign currency monetary item**

Unit: RMB

Item	Balance of foreign currency at the end of the period	Conversion exchange rate	RMB balance converted at the end of the period
Monetary capital			
Including: USD	405,488,619.47	6.9646	2,824,066,039.16
EUR	2,742,796.59	7.4229	20,359,504.81
HKD	7,499,747.15	0.89327	6,699,299.14
Hungarian forint	176,531,490.29	0.0186	3,279,249.13
JPY	31.00	0.0524	1.62
Accounts receivable			
Including: USD	426,669,385.62	6.9646	2,971,581,603.09
EUR	26,138,027.04	7.4229	194,019,960.91

HKD			
GBP	433,958.99	8.3941	3,642,695.16
JPY	328,581,033.00	0.0524	17,203,845.73
Long-term borrowings			
Including: USD	15,731,969.17	6.9646	109,566,872.48
EUR			
HKD			
Accounts payable			
Including: USD	803,057,652.88	6.9646	5,592,975,329.25
EUR	69,520.45	7.4229	516,043.35

Other descriptions:

(2) Descriptions of overseas operational entity, including the overseas business location, recording currency and basis of selection. In case of changes in recording currency, the reasons should also be disclosed.

Applicable Not applicable

61. Government subsidies

(1) Basic information of government subsidies

Unit: RMB

Category	Amount	Presentation item	Amount included into the current profits and losses
Government subsidies related to ordinary activities of the Company	147,699,033.00	Deferred incomes	135,735,372.96
Government subsidies related to ordinary activities of the Company	330,937,472.74	Other incomes	330,937,472.74
Government subsidies unrelated to ordinary activities of the Company	5,000.00	Non-operating income	5,000.00
Government subsidies related to ordinary activities of the Company	171,979,700.00	Financial expenses	171,979,700.00

(2) Return of government subsidies

Applicable Not applicable

Other descriptions:

VIII. Changes of Consolidation Scope

1. Changes of consolidation scope for other reasons

Describe the changes of the consolidation scope (e.g. new subsidiaries, liquidation subsidiaries) caused by other reasons and the relevant information:

(1) Newly established subsidiaries in the current period:

In September 2022, our wholly-owned subsidiaries Inspur (Jinan) Computer Technology Co., Ltd. and Jinan Inspur Yunhai Computer Technology Co., Ltd. jointly invested in the establishment of Suzhou Intelligent Computing Technology Co., Ltd. with a registered capital of RMB 8 million, of which Inspur (Jinan) Computer Technology Co., Ltd. invested RMB 5.2 million, holding 65% of the shares, and Jinan Inspur Yunhai Computer Technology Co., Ltd. invested RMB 2.8 million, holding 35% of the shares.

In October 2022, our wholly-owned subsidiary Inspur Electronic Information (Hong Kong) Co., Ltd. established INSPURELECTRONICINFORMATIONSSINGAPOREPTE.LTD, with a registered capital of SGD 500,000 and a shareholding ratio of 100%.

(2) Subsidiaries cancelled in the current period:

In September 2022, the Company cancelled the wholly-owned subsidiary Inspur (Tianjin) Electronic Information Technology Co., Ltd.

In December 2022, the Company cancelled the wholly-owned subsidiary Anhui Inspur Electronic Information Industry Co., Ltd. and the controlling subsidiary Dingtian Shenghua (Beijing) Software Technology Co., Ltd.

IX. Equity in Other Entities

1. Equity in subsidiaries

(1) Compositions of conglomerate

Subsidiary name	Main place of business	Registered address	Business nature	Shareholding ratio		Acquisition mode
				Direct	Indirect	
Inspur (Beijing) Electronic Information Industry Co., Ltd.	Beijing	Beijing	Sales of computer software, hardware and auxiliary equipment	100.00%		Combination
Beijing Inspur Anda Technology Investment Co., Ltd.	Beijing	Beijing	Construction of science and technology parks and asset management; Investment in high-tech industries	100.00%		Establishment
Shenzhen Tianhecheng Industrial Development Co., Ltd.	Shenzhen	Shenzhen	Import and export of goods	100.00%		Combination
Inspur Electronic Information (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Technology development, consulting, introduction and exchange, import and export trade, foreign investment business	100.00%		Establishment

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Inspur (Hong Kong) Electronics Co., Ltd.	Hong Kong	Hong Kong	Electronic component trading		100.00%	Combination
Inspur Information (Hong Kong) International Co., Ltd.	Hong Kong	British Virgin Islands	Foreign investment		100.00%	Establishment
Inspur Systems, Inc.	The United States	The United States	R&D, production and sales of servers		100.00%	Establishment
Jinan Oriental Joint Technology Development Co., Ltd.	Jinan	Jinan	Property lease, and property management	100.00%		Combination
Shandong Yingxin Computer Technology Co., Ltd.	Jinan	Jinan	Technology development, production, and sales of computer software and hardware; foreign investments with its proprietary capital		100.00%	Establishment
Zhengzhou Yunhai Information Technology Co., Ltd.	Zhengzhou	Zhengzhou	Technology development and sales of computer software and hardware		100.00%	Establishment
Shandong Inspur Import and Export Co., Ltd.	Jinan	Jinan	Import and export of goods and technologies	100.00%		Establishment
Guangdong Inspur Intelligent Computing Technology Co., Ltd.	Guangdong	Guangzhou	Servers, storage, and big data related products	100.00%		Establishment
Jinan Inspur Yunhai Computer Technology Co., Ltd.	Jinan	Jinan	Sales and maintenance of computer software and hardware; Import and export of goods and technologies	100.00%		Establishment

Guizhou Inspur Yingxin Technology Co., Ltd.	Guizhou	Guizhou	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Qingdao) Electronic Information Industry Co., Ltd.	Qingdao	Qingdao	Development and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur Asset Holdings, Inc	The United States	The United States	Server manufacturing, and real estate investment		100.00%	Establishment
Inspur Hungary KFT	Hungary	Hungary	Manufacturing, distribution, direct sales of electronic products such as computers, etc.		100.00%	Establishment
Inspur Power Commercial Systems Co., Ltd.	Jinan	Jinan	Development, production and sales of computer software, hardware and auxiliary equipment	51.00%		Establishment
Shaanxi Inspur Yingxin Technology Co., Ltd.	Xi'an	Xi'an	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Shanxi Inspur Electronic Information Industry Co., Ltd.	Taiyuan	Taiyuan	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Suzhou Inspur Intelligent Technology Co., Ltd.	Suzhou	Suzhou	R&D, production, and sales of computer software, hardware, and electronic components	100.00%		Establishment

Inspur (Xiamen) Computer Technology Co., Ltd.	Xiamen	Xiamen	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Guiyang Inspur Intelligent Technology Co., Ltd.	Guiyang	Guiyang	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Dongsheng Technology Information Co., Ltd.	Hong Kong	British Virgin Islands	Foreign investment		100.00%	Establishment
Inspur (Nanning) Computer Technology Co., Ltd.	Nanning	Nanning	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Changchun) Computer Technology Co., Ltd.	Changchun	Changchun	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Beijing) Computer Technology Co., Ltd.	Beijing	Beijing	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Chengdu) Computer Technology Co., Ltd.	Chengdu	Chengdu	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Yunnan Inspur Computer Technology Co., Ltd.	Kunming	Kunming	Development, production and sales of computer software, hardware and auxiliary equipment		75.00%	Establishment

Fuzhou Inspur Computer Technology Co., Ltd.	Fuzhou	Fuzhou	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Jinan) Computer Technology Co., Ltd.	Jinan	Jinan	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Inspur (Zhengzhou) Computer Technology Co., Ltd.	Zhengzhou	Zhengzhou	Development, production and sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd.	Quzhou	Quzhou	Sales of computer software, hardware and auxiliary equipment	100.00%		Establishment
Electronic Channel Limited	Hong Kong	Hong Kong	Trade		100.00%	Establishment
Electronic Supply Chain Limited	Hong Kong	Hong Kong	Trade		100.00%	Establishment
Inspur (Shandong) Computer Technology Co., Ltd.	Jinan	Jinan	Sales of computer software, hardware and auxiliary equipment	65.00%		Establishment
INSPUR ELECTRONICINFORMATION SINGAPORE PTE. LTD	Singapore	Singapore	Wholesale of computer hardware and peripheral equipment; Repair and maintenance of computer hardware, data processing equipment, and computer peripheral equipment		100.00%	Establishment
Suzhou Intelligent Computing Technology Co., Ltd.	Suzhou	Suzhou	Sales of computer software, hardware and auxiliary equipment		100.00%	Establishment

Description that the shareholding ratio in the subsidiary is different from the voting right proportion:

N/A.

Basis of controlling the investee with half or below voting rights, or basis of not controlling the investee with above half voting rights: For important structured entities that are included into the consolidation scope, the basis for control is:

Basis for determining whether the Company is an agent or a principal:

Other descriptions:

(2) Important non-wholly owned subsidiaries

Unit: RMB

Subsidiary name	Shareholding ratio of minority shareholders	Profits and losses belonging to minority shareholders in the current period	Dividends announced and distributed to minority shareholders in current period	Closing balance of minority equity
Inspur Power Commercial Systems Co., Ltd.	49.00%	1,170,107.29	24,743,979.76	337,485,255.57

Description that the shareholding ratio of minority shareholders in the subsidiary is different from the voting right proportion:

Other descriptions:

(3) Main financial information of important non-wholly owned subsidiaries

Unit: RMB

Subsidiary name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Inspur Power Commercial Systems Co., Ltd.	1,323,020,138.55	128,753,246.13	1,451,773,384.68	763,027,965.51	0.00	763,027,965.51	1,359,192,474.97	54,280,459.57	1,413,472,934.54	676,617,571.55		676,617,571.55

Unit: RMB

Subsidiary name	Accrual in the current period				Accrual in the previous period			
	Operating income	Net profit	Total comprehensive incomes	Cash flow generated from operating activities	Operating income	Net profit	Total comprehensive incomes	Cash flow generated from operating activities
Inspur Power Commercial Systems Co., Ltd.	1,040,861,448.80	2,387,974.06	2,387,974.06	189,905,711.17	958,751,079.12	56,108,797.64	56,108,797.64	49,748,432.32

Other descriptions:

2. Equity in joint-operation arrangement or associated enterprise

(1) Important joint ventures or associated enterprises

Name of joint venture or associated enterprise	Main place of business	Registered address	Business nature	Shareholding ratio		Accounting treatment method of the investment to joint venture or associated enterprise
				Direct	Indirect	
Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	Jinan	Jinan	Information industry investment	33.33%		Equity method
Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	Jinan	Jinan	Investment in high-tech industries	40.00%		Equity method
TUNGKONG INC.	Jinan	Jinan	Printing and record medium reproduction industry	3.57%		Equity method
Shandong SinoChip Semiconductors Co., Ltd.	Jinan	Jinan	Computer, communications and other electronic equipment manufacturing industry	10.00%		Equity method
Shandong Huaxin Yochuang Technology Co., Ltd.	Jinan	Jinan	Software and information technology service industry	10.00%		Equity method

Description of shareholding ratio in joint ventures or associated enterprises different from voting right proportion:

N/A.

Basis of having significance with 20% below voting rights, or having no significance with 20% or above voting rights:

(1) The Company holds 3.566% of the equity in TUNGKONG INC., and has appointed one director and one supervisor to it. Therefore, the Company still has significant influence over it.

(2) The Company holds 10.00% equity in Shandong SinoChip Semiconductors Co., Ltd., and has appointed three directors and two supervisors to it. Therefore, the Company still has significant influence on it.

(3) The Company holds 10.00% equity in Shandong SinoChip Semiconductors Co., Ltd., and has appointed three directors and one supervisor to it. Therefore, the Company still has significant influence on it.

(2) Main financial information of important joint venture

Unit: RMB

Item	Ending balance/accrual in the current period	Beginning balance/accrual in the previous period
	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.
Current assets	446,117,964.79	171,120,656.25
Including: Cash and cash equivalents	95,097,132.47	47,303,970.04
Non-current assets	30,651,129.65	170,456,510.61
Total assets	476,769,094.44	341,577,166.86
Current liabilities	53,129,419.57	72,945,752.80
Non-current liabilities	18,029.76	40,370.66
Total liabilities	53,147,449.33	72,986,123.46
Minority equity	14,821,103.18	13,430,061.12
Owners' equities attributable to the parent company	408,800,541.93	255,160,982.28
Net asset share calculated in shareholding ratio	136,266,847.32	85,053,660.77
Adjustment item		
- Goodwill		
- Unrealized profits of internal transaction		
- Others		
Book value of equity investment in joint ventures	136,266,847.32	85,053,660.77
Fair value of the equity investment in the joint venture with public offerings		
Operating income	113,803,390.10	329,794,367.83
Financial expenses	-377,368.47	-631,127.97
Income tax expenses	414,662.43	820,861.98
Net profit	153,347,401.71	784,421.07
Net profit from discontinuing operation		
Other comprehensive incomes		
Total comprehensive incomes	153,347,401.71	784,421.07
Dividends received from joint ventures in the current year		

Other descriptions:

(3) Main financial information of important associated enterprise

Unit: RMB

Item	Ending balance/accrual in the current period				Beginning balance/accrual in the previous period			
	Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	TUNGKONG INC.	Shandong SinoChip Semiconductors Co., Ltd.	Shandong Huaxin Youchuang Technology Co., Ltd.	Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	TUNGKONG INC.	Shandong SinoChip Semiconductors Co., Ltd.	Shandong Huaxin Youchuang Technology Co., Ltd.
Current assets	528,743,723.40	1,313,695,836.24	85,321,066.98	83,876,919.03	376,346,591.58	1,273,905,080.28	79,231,373.83	94,246,355.07
Non-current assets	17,059,691.06	927,513,216.91	4,559,686.66	1,085,165.94	18,509,610.64	937,943,741.89	4,614,575.72	2,147,151.12
Total assets	545,803,414.46	2,241,209,053.15	89,880,753.64	84,962,084.97	394,856,202.22	2,211,848,822.17	83,845,949.55	96,393,506.19
Current liabilities	147,847,889.84	648,859,951.03	13,553,464.29	50,463,493.58	6,212,801.89	592,309,136.49	10,490,995.21	51,449,949.51
Non-current liabilities		38,522,284.66	12,520,000.00			37,058,693.00	13,520,000.00	
Total liabilities	147,847,889.84	687,382,235.69	26,073,464.29	50,463,493.58	6,212,801.89	629,367,829.49	24,010,995.21	51,449,949.51
Minority equity		15,787,146.86				15,352,828.72		
Owners' equities attributable to the parent company	397,955,524.62	1,538,039,670.60	63,807,289.35	34,498,591.39	388,643,400.33	1,567,128,163.96	59,834,954.34	44,943,556.68
Net asset share calculated in shareholding ratio	159,182,209.85	54,846,476.95	6,380,728.93	3,449,859.14	155,457,360.13	55,883,761.81	5,983,495.43	4,494,355.67

Adjustment item									
- Goodwill									
- Unrealized profits of internal transaction									
- Others									
Book value of equity investment in associated enterprises	159,182,209.85	54,846,476.95	6,380,728.93	3,449,859.14	155,457,360.13	55,883,761.81	5,983,495.43	4,494,355.67	
Fair value of the equity investment in the associated enterprise with public offerings									
Operating income	488,750,725.83	1,064,972,856.25	110,997,124.38	742,395.15	36,885,100.80	1,200,941,510.94	96,226,203.64	3,879,258.75	
Net profit	9,312,124.29	136,442,715.61	3,972,335.01	10,444,965.29	4,734,080.55	188,674,997.48	856,455.89	18,194,908.86	
Net profit from discontinuing operation									
Other comprehensive incomes									
Total comprehensive incomes	9,312,124.29	136,442,715.61	3,972,335.01	10,444,965.29	4,734,080.55	188,674,997.48	856,455.89	18,194,908.86	
Dividends received from associated enterprises in the current year		5,837,478.60				7,783,304.80			

Other descriptions:

(4) Financial information summary of unimportant joint ventures and associated enterprises

Unit: RMB

Item	Ending balance/accrual in the current period	Beginning balance/accrual in the previous period
Joint venture:		
Total amounts of the following items calculated according to the shareholding ratio		
Associated enterprise:		
Total amounts of the following items calculated according to the shareholding ratio		

Other descriptions:

(5) Descriptions for limitations in the ability of joint venture or associated enterprise transferring funds to the Company

(6) Excess loss in joint venture or associated enterprise

Unit: RMB

Name of joint venture or associated enterprise	Cumulative unrecognized cumulative losses in the previous period	Unrecognized loss for the current period (or net profit shared for the current period)	Accumulated unrecognized losses at the end of the period

Other descriptions:

(7) Unrecognized commitment related to the investment of joint venture

(8) Contingent liability related to joint venture or associated enterprise investment

X. Risks Related to Financial Instruments

Various financial risks coped by the Company in the operation process: credit risk, market risk and liquidity risk. The Company's management takes full responsibility for recognition of risk management target and policy and undertakes the ultimate responsibility for risk management objectives and policies. The management will review effectiveness of executed procedures and reasonability of risk management objectives and policies based on monthly report submitted by functional departments.

Internal auditors of the Company shall also audit the risk management policies and procedures and shall report relevant discovery to the audit committee. The overall objective of the risk management of the Company is to formulate risk management policy that shall reduce the risk as much as possible under the situation that the competitiveness and response ability of the Company shall not be affected significantly.

1. Credit risk

Credit risk refers to risk that one party of financial instrument does not perform the obligation, so that the other party encounters financial loss. The Company mainly copes with credit risks of the customer due to selling on credit. Before signing the new contract, the Company will have a new customer's credit risk assessment, including external credit ratings and bank reference letter in certain circumstances (when the information is available). The Company sets a credit limit for each customer, which is the maximum amount that does not require additional approvals.

The Company quarterly monitors the credit rating and monthly audits the accounts receivable account age analysis of the Company's existing customers to ensure that the Company's overall credit risk within the controllable range. When monitoring the customer's credit risk, group them according to the customer's credit features. If the customer is rated as "high risk" level, the customer shall be placed in a restricted customer list, and only under the premise of additional approval of the Company in the next period before their credit, or the customer must pay the corresponding amount of its requirements in advance.

2. Liquidity risk

Liquidity risk refers to the risk of capital shortage generated when the Company performs the obligation of settlements by the delivery of cash or other financial assets. The policy of the Company is to ensure sufficient cash to repay the matured debts. The liquidity risk is under the centralized control of the Company's Finance Department. The Finance Department ensures that the Company owns sufficient capitals to repay debts under all reasonable predictions by monitoring the cash balance, negotiable securities that can be realized at any time and rolling predicting the cash flow of the future 12 months.

XI. Disclosure of Fair Value**1. Period-end fair value of assets and liabilities measured at the fair value**

Unit: RMB

Item	Fair value at the end of the period			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value measurement	—	—	—	—
(I) Trading financial assets		32,761,494.45		32,761,494.45
(2) Equity instrument investment		24,000,000.00		24,000,000.00
(3) Derivative financial assets		8,761,494.45		8,761,494.45
(VI) Receivables financing			575,264,506.85	575,264,506.85
Accounts receivable measured at fair value with changes included in other comprehensive incomes			2,373,621.26	2,373,621.26
Notes receivable measured at fair value with changes included in other comprehensive incomes			572,890,885.59	572,890,885.59
Total assets continuously measured at the fair value		32,761,494.45	575,264,506.85	608,026,001.30
II. Non-continuous fair value measurement	—	—	—	—

2. For continuous and non-continuous level 2 fair value measurement item, valuation technique adopted and quantitative and qualitative information of important parameters

Financial assets measured at the fair value with the changes included into the current profits and losses are equity investments held by the Company and interest rate swap contracts purchased by subsidiaries. The Company believes that the fair value estimated using valuation techniques is reasonable and also the most appropriate value on the balance sheet date.

3. For continuous and non-continuous level 3 fair value measurement item, valuation technique adopted and quantitative and qualitative information of important parameters

(1) For notes receivable measured at the fair value with the changes included into other comprehensive incomes, they are accepted by banks with higher credit ratings, with minimal credit risk and deferred payment risk, and a low likelihood of loss. The recoverable amount is generally determined, and the fair value is determined using the face value.

(2) For accounts receivable measured at the fair value with the changes included into other comprehensive incomes, they are accounts receivable for factoring operations. The recoverable amount is generally determined, and the fair value is determined using the book balance.

4. For continuous fair value measurement items, in case of transfer between different levels in the current period, the reasons for the transformation and the policy to determine the transition point

During the reporting period, the Company did not have any ongoing fair value measurement items that occurred between different levels of conversion

5. Fair value of the financial assets and liabilities not measured at fair value

The Company's financial assets and liabilities not measured at fair value mainly include: monetary capitals, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, and other payables. The difference between the book value and fair value of financial assets and liabilities not measured at fair value is very small.

XII. Related Parties and Related-party Transactions

1. Parent company of the Company

Parent company name	Registered address	Business nature	Registered capital	Shareholding ratio of parent company to the Company	Voting right proportion of parent company to the Company
Inspur Group Co., Ltd.	Jinan, Shandong	Electronic information industry	RMB 1,024,376,735	35.87%	35.87%

Description on the parent company of the Company

The ultimate controlling party of the Company is Shandong Provincial State-owned Assets Supervision and Administration Commission.

Other descriptions:

2. Parent company of the Company

For the details of subsidiary, refer to "Note IX. 1. Equity in Subsidiaries".

3. Joint ventures and associated enterprises of the Company

For important joint ventures or associated enterprise, refer to "Note IX. 2. Equity in Joint-operation Arrangement or Associated Enterprise".

Conditions of other joint ventures or associated enterprises that has formed balance in the related-party transaction with the Company in the current period, or the related-party transaction in the previous period is as follows:

Name of joint venture or associated enterprise

Relationship with the Company

Other descriptions:

4. Other related parties

Names of other related parties	Relationship of other related parties with the Company
Shandong Huitong Financial Leasing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Group Finance Limited	Controlled by the same controlling shareholder as the Company
Shandong Inspur Capital Investment Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Blue Cloud Information Fund Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Tongda Investment Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Digital Media Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Huicai Investment Holding Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur New Century Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Hengda Industrial Investment Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Science Park Investment Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Photoelectric Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Huaguang Optoelectronics Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Huaguang Optoelectronics Co., Ltd.	Controlled by the same controlling shareholder as the Company
Weifang Huaguang Optoelectronics Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Technology Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Youpai Technology Education Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shandong Zhongyin Service Outsourcing Training School	Significant influence from the controlling shareholder of the Company
Shandong Inspur Huizhong Industry Development Investment Co., Ltd.	Controlled by the same controlling shareholder as the Company

Huizhong IOT Hong Kong Technology Limited	Controlled by the same controlling shareholder as the Company
Digital Cloud Limited	Controlled by the same controlling shareholder as the Company
Shandong Mingzhu Shijia Real Estate Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Mingzhu Huating Real Estate Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Mingzhu Huali Real Estate Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Intelligent Space Technology Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Electronics (HK) Limited	Controlled by the same controlling shareholder as the Company
Inspur Overseas Investment Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Branch of Inspur Electronic Information Industry Co., Limited	Controlled by the same controlling shareholder as the Company
Inspur Ru Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Technologies (India) Pvt. Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (UK) Co., Limited	Controlled by the same controlling shareholder as the Company
Inspur Germany GmbH	Controlled by the same controlling shareholder as the Company
VENEZOUNA DE INDUSTRIA TECNOLOGICA, C.A.	Significant influence from the controlling shareholder of the Company
Ericsson Inspur Communication Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Liaocheng Inspur Electronic Information Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Enterprise Management (Jinan) Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Data Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Jingzhen Electronic Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Smart Micro Electric Technology Service Co., Ltd.	Controlled by the same controlling shareholder as the Company

Qingdao Smart City Big Data Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Software Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Cloud Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Rizhao Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Weifang Cloud Computing Center (Inspur) Construction Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Dezhou Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Cloud (Guizhou) Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiangxi Inspur Big Data Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Baoding Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shanghai Inspur Cloud Computing Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (Binzhou) Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Kunming Inspur Cloud Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Tengzhou Inspur Big Data Industry Co., Ltd.	Controlled by the same controlling shareholder as the Company
Suzhou Inspur Cloud Computing Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (Tianjin) Data Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Tianshui Inspur Cloud Computing Industry Development Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiuquan Inspur Cloud Computing Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Enshi Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Wuhai Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Manchuria Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Inner Mongolia Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Changzhi Inspur Yunhai Cloud Computing Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Sichuan Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Sichuan Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hunan Inspur Cloud Investment Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiaozuo Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Deyang Inspur Yunhai Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Baise Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Liangshan Inspur Yunhai Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Chongqing Inspur Government Cloud Management and Operation Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hechi Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Siping Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Ruzhou Inspur Cloud Service Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinzhong Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiangxi Inspur Venture Capital Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Yibin Inspur Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Xinzhou Inspur Cloud Computing Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Yunshang Shenzhen Inspur Guochuang Big Data Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zibo Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Hunan Inspur Intelligent Investment Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiangmen Inspur Cloud Service Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Software Group Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zhangjiakou Inspur Government Cloud Construction and Operation Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zhangjiatie Inspur Cloud Computing Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Guangxi Inspur Cloud Computing Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Loudi Inspur Yunchuang Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Mudanjiang Inspur Yunhai Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Zhuoshu Big Data Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Digital Investment Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Aicheng Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (Xiamen) Electronic Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Zhida Trading Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Controlled by the same controlling shareholder as the Company
Qingdao Zhongguang Yunlian Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Huitou Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Intelligent Investment Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hezhou Inspur Intelligent Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinzhou Inspur Software Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Panzhuhua Inspur Smart City Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Jinan Inspur Jianhui Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Leading Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inner Mongolia Zhenglian Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Fujian Nanping Smart City Big Data Operation Co., Ltd.	Controlled by the same controlling shareholder as the Company
Yantai Inspur Smart City Operation Co., Ltd.	Controlled by the same controlling shareholder as the Company
Baofeng Inspur Smart City Operation Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Weihai Overseas Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
InspurTechnologyBusinessCo.,Ltd.	Controlled by the same controlling shareholder as the Company
InspurGlobalInformationEngineeringCo.,Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (Qingdao) Technology Group Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Yunhai (Qingdao) Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Wisdom Spring City Intelligent Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Kangda Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Medical Big Data Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Guoshuai Health Big Data Co., Ltd.	Controlled by the same controlling shareholder as the Company
Tianjin Healthcare Big Data Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Yueda Investment Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Anhui Inspur Sincere Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Software Co., Ltd.	Controlled by the same controlling shareholder as the Company
Qingdao Inspur Education Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Shandong Inspur Digital Commercial Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Yantai Inspur Park Operation Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Software Network Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Senya Network Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur E-government Software Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Jiantong Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Huida Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Guangdong Inspur Software Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Tianyuan Innovation Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Intelligent Terminal Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Financial Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Diebold Financial Equipment Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Integrated Electronic Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Yunke Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Cisco Network Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Big Data Investment Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Yunzhou (Shandong) Industrial Internet Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Healthcare Big Data Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Investment Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Inspur Jiaxin Computer Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Jinan Huanlecheng Technology Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Commercial System Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Cheeloo Overseas Investment And Development Co., Limited	Controlled by the same controlling shareholder as the Company
Inspur Overseas Investment Co., Limited	Controlled by the same controlling shareholder as the Company
Inspur Cloud Computing Investment Limited	Controlled by the same controlling shareholder as the Company
Inspur Digital Enterprise Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
POPULARVISIONLIMITED	Controlled by the same controlling shareholder as the Company
Yuantong Software Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Yuantong Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Communication Information System Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Communication Information System (Chongqing) Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Yuanshuo Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Metarnet TECHNOLOGIES Co., Ltd.	Controlled by the same controlling shareholder as the Company
Huifu Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zhiyou Limited	Controlled by the same controlling shareholder as the Company
MARVEL OPINION LIMITED	Controlled by the same controlling shareholder as the Company
Inspur Odoo Limited (HK)	Controlled by the same controlling shareholder as the Company
Inspur Electronics Limited	Controlled by the same controlling shareholder as the Company
Shine Victory International Limited	Controlled by the same controlling shareholder as the Company
Inspur (Shandong) Electronic Information Co., Ltd.	Controlled by the same controlling shareholder as the Company

Shandong Inspur Financial Software Information Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Cloud Network Information System Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Fangzhi Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Common Software Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beidahuang Inspur Information Co., Ltd.	Significant influence from the controlling shareholder of the Company
Zhengzhou Hualiang Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur New Road Education Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Zhuyuan Education Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shenzhen Inspur HCM Cloud Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Tongruan Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur System Software Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shanghai Inspur Tongruan Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Tongruan Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Yiyun Online Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Intelligent Engineering Co., Ltd.	Controlled by the same controlling shareholder as the Company
Qingdao Inspur Park Operation Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Mingda Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (HK) Cloud Service Limited	Controlled by the same controlling shareholder as the Company
Intersource Technology Limited	Controlled by the same controlling shareholder as the Company
Timeone Technology Ltd.	Controlled by the same controlling shareholder as the Company

Langchao Worldwide Service Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Digital Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Worldwide (Seattle) Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Worldwide Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Global Services Ltd.	Controlled by the same controlling shareholder as the Company
Inspur USA Inc.	Controlled by the same controlling shareholder as the Company
Jinan Yunhai Venture Capital Co., Ltd.	Controlled by the same controlling shareholder as the Company
Yunnan Inspur Digital Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiangsu Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hainan Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shanghai Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Huizhong Venture Capital Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hainan Inspur Park Operation Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Youpai (Jinan) Education Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Xi'an Inspur Yunchuang Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (Zhengzhou) Industrial Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Qinda Information Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Xi'an Yunzhou Software Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Guiyang Ruida Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Chengdu Inspur Yunchuang Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Yunchuang Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shanghai Yueran Venture Capital Management Co., Ltd.	Significant influence from the controlling shareholder of the Company
Jinan Quanzhong Information Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Jinan Quanda Investment Development Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shandong Mingzhu Zhuoda Engineering Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Nanning Inspur Yunchuang Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Huiyuan Industrial Park Development Co., Ltd.	Significant influence from the controlling shareholder of the Company
INSPUR JAPAN	Controlled by the same controlling shareholder as the Company
Inspur Korea Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (THAILAND) Co., Ltd.	Controlled by the same controlling shareholder as the Company
GlobalInformation Technology Services Co., Ltd.	Controlled by the same controlling shareholder as the Company
PT. INSPUR TECHNOLOGY INDONESIA	Controlled by the same controlling shareholder as the Company
INSPURITAL IAS. R.L.	Controlled by the same controlling shareholder as the Company
Inspur Technology LTD.	Controlled by the same controlling shareholder as the Company
High Fast Ltd.	Controlled by the same controlling shareholder as the Company
First Head Ltd.	Controlled by the same controlling shareholder as the Company
Shandong New Generation Information Industry Technology Research Institute Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Digital Energy Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Inspur Data Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Zhengzhou Inspur Data Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Yangze Computer Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Hexu Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Chongqing Yunjiang Industrial Internet Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Inspur Jingmeiyun Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zhoukou Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Mudanjiang Inspur Digital Investment Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Guangdong Yunwan Industrial Internet Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Zhiying Collaborative Digital Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Golmud Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiamusi Inspur Cloud Computing Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Chifeng Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Xing'anmeng Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Yantai Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zunyi Inspur Digital Investment Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Guangxi Digital Inspur Data Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Suzhou Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Qiqihar Inspur Cloud Computing Service Co., Ltd.	Controlled by the same controlling shareholder as the Company

Fuyang Inspur Cloud Computing Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Nanping Inspur Cloud Computing Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Alashankou Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shanxi Inspur Cloud Computing Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Lvliang Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiangxi Inspur Cloud Computing Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Fuzhou Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Tacheng Inspur Cloud Computing Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hunan Inspur Cloud Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Qiannan Inspur Cloud Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Wuxi Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Karamay Inspur Cloud Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hanzhong Inspur Smart City Construction and Operation Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Cloud (Xiamen) Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Zhuoyuan Network Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zaozhuang Inspur Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Tianshui Inspur Cloud Computing Operation Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zhuozhou Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Xinshun Electronic Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Xiamen Information Technology Applied Innovation Research Institute Co., Ltd.	Controlled by the same controlling shareholder as the Company

Shandong Inspur Ultra HD International Trading Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jining Inspur Big Data Co., Ltd.	Significant influence from the controlling shareholder of the Company
Jinhua Inspur Yunanda Smart City Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Heze Inspur City Investment Smart City Operation Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Tianjin Inspur Smart City Operation Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Chengdu Inspur Cloud Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Huanggang Inspur Smart City Construction and Operation Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zhanjiang Inspur Smart City Construction and Operation Co., Ltd.	Controlled by the same controlling shareholder as the Company
Tianyuan Big Data Credit Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Qianhui Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Kechao Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Zhanting Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (Qingdao) Intelligent Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Tianyuan (Qingdao) Big Data Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Mingda Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inner Mongolia Inspur Big Data Industry Operation Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hebi Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zibo Inspur Yunchuang Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Heilongjiang Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Liaoning Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Inspur Bohai Rim (Yingkou) Big Data Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Dingda Information Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Bozhou Qida Park Operation Management Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Medical Investment Partnership (Limited Partnership)	Controlled by the same controlling shareholder as the Company
Guangxi Healthcare Big Data Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inner Mongolia Healthcare Big Data Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hunan Inspur Healthcare Big Data Co., Ltd.	Controlled by the same controlling shareholder as the Company
Gansu Inspur Ruihui Big Data Service Co., Ltd.	Significant influence from the controlling shareholder of the Company
Chongqing Inspur Cloud Chain Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zhongcai Inspur Equity Investment Fund Management Co., Ltd.	Significant influence from the controlling shareholder of the Company
Inspur Digital Limited	Controlled by the same controlling shareholder as the Company
Shandong Inspur Paisheng Network Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
InspurWorldwideServicesLtd.	Controlled by the same controlling shareholder as the Company
Inspur Global Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Japan Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Huixiang Cloud Computing Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Nanjing Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Taizhou Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Xuzhou Inspur Digital Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Xinguang Optoelectronic Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Smarterland Limited	Controlled by the same controlling shareholder as the Company
Inspur (HK) Service Ltd.	Controlled by the same controlling shareholder as the Company
Foshan Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Scientific Research Institute Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Artificial Intelligence Research Institute Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur New Infrastructure Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Industrial Internet Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shenyang Inspur Big Data Innovation Application Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Hailian Yimao (Shandong) Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Innovation and Entrepreneurship Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Suzhou Sicui Industrial Internet Technology Research Institute Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shanghai Inspur Data Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Zhiye Healthcare Big Data Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Hui'an Health Medical Big Data Co., Ltd.	Significant influence from the controlling shareholder of the Company
Inspur Communication Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hainan Dongfang Tongda Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Guizhou Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Digital (Shandong) Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Xinke Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Witdom Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company

Shandong Saibao Electronic Information Engineering Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Saibao Information Technology Consulting Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shandong Port Technology Group Co., Ltd	Controlled by the same controlling shareholder as the Company
Shandong Inspur Ultra HD Intelligent Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Jinxin Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Intelligent Industry Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Smart Archive Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Smart Medical Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Xinguang Datu Laser Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Qingdao Yunchengzhi Digital Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shanghai Yunxi Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Dequan New Infrastructure Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Bozhou Digital Investment Information Technology Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Jinchao Digital Investment Information Technology Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Huinongyun (Beijing) Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shunongyun (Shandong) Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Wenzhou Yunou Digital Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Additive Intelligent Manufacturing (Beijing) Information Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shuziyun (Shandong) Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Yunkang (Shandong) Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Guoqi Zhimou (Chongqing) Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Zhixin (Shandong) Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Shanzhi Network Technology Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Zhishao Technology Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Smart Home Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Intelligent Equipment Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Aolin Big Data Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Inspur Qihang Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shandong Inspur Beishi Education Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Zhuozhi Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Kunming Inspur Cloud Computing Industrial Park Development and Investment Co., Ltd.	Significant influence from the controlling shareholder of the Company
Jinan Qiyi Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Database Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Anhui Inspur Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Gansu Wisdom Yunhai Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Yunhai High-tech Investment Partnership (Limited Partnership)	Controlled by the same controlling shareholder as the Company
Shandong Dongfang Feiyang Software Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Feiyang Zhixing Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shengyin Digital Technology (Shenyang) Co., Ltd.	Significant influence from the controlling shareholder of the Company
Shandong Dequan Intelligent Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Shandong Inspur Innovation and Entrepreneurship Investment Co., Ltd.	Controlled by the same controlling shareholder as the Company
North Health Medical Big Data Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Hangao Basic Software Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Intelligent Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Intelligent Technology Innovation (Shandong) Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Intelligent Technology (Qingdao) Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Inspur Communication Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Ultra HD Display Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Guangdong Inspur Ultra HD Intelligent Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiangsu Magspin Instrument Co., Ltd.	Controlled by the same controlling shareholder as the Company
Tongsheng Medical Technology (Weihai) Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Yunhai Xinhuan Investment Partnership (Limited Partnership)	Controlled by the same controlling shareholder as the Company
Shandong Zhongwangdun Digital Service Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Communication Information System (Tianjin) Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Times (Xiamen) Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Digital Grain Storage Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur City Service Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Cloud Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hubei Inspur Zhichuang Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
INSPUR COMMUNICATION SERVICES SINGAPORE PTE. LTD.	Controlled by the same controlling shareholder as the Company

Shandong Inspur Cloud Security Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Digital (Shandong) Construction and Operation Co., Ltd.	Controlled by the same controlling shareholder as the Company
Qingdao Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Heze Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Binzhou Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur (Rizhao) Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Weifang Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Weihai Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zibo Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jinan Inspur Big Data Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Zaozhuang Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Liaocheng Inspur Big Data Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jining Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Dongzhi Inspur Cloud Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shangrao Inspur Cloud Computing Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Wuhu Inspur Cloud Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hangzhou SAFETY Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing SAFETY Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Yunchuang Digital Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Yunzheng Digital Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Shandong Inspur Yunqi Digital Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Dalian Inspur Changlu Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Liaoning Inspur State Construction Cloud Computing Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Graphsafe Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Xinjiang Graphsafe Software Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hebei Graphsafe Software Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Tianjin Tuan Ward Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Guangdong Inspur Cloud Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Qingdao Inspur Digital Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Innovation Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Jinan Inspur Digital Information Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Inspur Industrial (Shandong) Supply chain Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Inspur Smart Culture and Tourism Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Jiangxi Hangao Basic Software Co., Ltd.	Controlled by the same controlling shareholder as the Company
Hangao Basic Software (Beijing) Co., Ltd.	Controlled by the same controlling shareholder as the Company
Liaoning Inspur Innovation Information Technology Co., Ltd.	Significant influence from the controlling shareholder of the Company
Taian Inspur Digital Industry Development Co., Ltd.	Controlled by the same controlling shareholder as the Company
Beijing Huading Hangao Data Technology Research Institute Co., Ltd.	Controlled by the same controlling shareholder as the Company
Shandong Zhongke Rongsheng Medical Technology Co., Ltd.	Controlled by the same controlling shareholder as the Company

Other descriptions:

5. Related-party transaction

(1) Related-party transaction of purchasing and selling goods, providing and accepting labor services

Goods procurement/labor service acceptance

Unit: RMB

Related party	Content of related-party transaction	Accrual in the current period	Amount of approved transaction	Whether it has exceeded the transaction amount	Accrual in the previous period
Jinan Inspur Data Technology Co., Ltd.	Purchasing goods and accepting labor services	24,854,047.63	60,000,000.00	No	29,566,994.98
Digital Cloud Limited	Acceptance of labor services	158,253,301.73	160,000,000.00	No	141,390,320.00
Inspur Cisco Network Technology Co., Ltd.	Purchase of goods	31,928,966.65		No	57,312,781.95
Metarnet TECHNOLOGIES Co., Ltd.	Purchasing goods and accepting labor services	197,930.08		No	53,450.12
Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	Acceptance of labor services	207,040.90		No	1,504,791.50
Jinan Inspur Mingda Information Technology Co., Ltd.	Purchasing goods and accepting labor services	1,953,620.29		No	789,090.77
Jinan Inspur System Software Co., Ltd.	Purchase of goods			No	140,683.19
Inspur Group Co., Ltd.	Purchasing goods and accepting labor services	13,144,414.67		No	5,976,662.40
Inspur Software Co., Ltd.	Acceptance of labor services	1,164,622.64		No	519,729.13
Inspur Software Group Co., Ltd.	Purchasing goods and accepting labor services	4,493,284.74		No	10,758,297.45
Inspur Software Technology Co., Ltd.	Acceptance of labor services	2,112,712.81		No	6,628,277.91
Shandong Inspur Digital Service Co., Ltd.	Purchasing goods and accepting labor services	7,958,861.35		No	4,626,552.06

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Inspur Common Software Co., Ltd.	Acceptance of labor services	2,085,274.64		No	11,027,721.09
Inspur Cloud Technology Co., Ltd.	Acceptance of labor services	19,369,227.36		No	16,334,522.00
Inspur Zhuoshu Big Data Industry Development Co., Ltd.	Purchase of goods	210,000.00		No	105,502.52
Shandong Aicheng Information Technology Co., Ltd.	Acceptance of labor services			No	88,495.58
Shandong Healthcare Big Data Co., Ltd.	Purchasing goods and accepting labor services	181,994.35		No	1,583,304.70
Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	Purchasing goods and accepting labor services	10,097,238.55		No	18,473,942.49
Shandong Inspur E-government Software Co., Ltd.	Acceptance of labor services	1,698,113.21		No	427,846.70
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Purchasing goods and accepting labor services	11,079,019.44		No	6,660,522.50
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Acceptance of labor services	11,452,994.39		No	5,357,343.79
Shanghai Inspur Information Technology Co., Ltd.	Acceptance of labor services	9,196,069.99		No	52,323,379.38
Yunnan Energy Investment Inspur Technology Co., Ltd.	Acceptance of labor services	31,541,791.26		No	36,159,233.73
Diebold Financial Equipment Co., Ltd.	Purchase of goods	2,404,518.23		No	116,054.72
Inner Mongolia Inspur Information Technology Co., Ltd.	Acceptance of labor services	5,821,300.02		No	13,076,452.11

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Shanghai Inspur Cloud Computing Service Co., Ltd.	Acceptance of labor services	5,282.00		No	2,368.43
Shandong Inspur New Infrastructure Technology Co., Ltd.	Acceptance of labor services	14,254,291.30		No	26,989,142.09
Inspur Industrial Internet Co., Ltd.	Purchasing goods and accepting labor services	1,351,419.03		No	5,543,275.98
Inspur (Xiamen) Electronic Technology Co., Ltd.	Purchasing goods and accepting labor services	2,790,612.36		No	3,553,991.34
Shandong Mingzhu Shijia Real Estate Co., Ltd.	Acceptance of labor services			No	2,867,561.66
Inspur Financial Information Technology Co., Ltd.	Purchasing goods and accepting labor services	6,442.48		No	459,975.15
Inspur Industrial Internet Technology Co., Ltd.	Purchasing goods and accepting labor services			No	225,425.80
Jinan Inspur Huida Information Technology Co., Ltd.	Purchasing goods and accepting labor services			No	167,471.12
Xi'an Inspur Yunchuang Information Technology Co., Ltd.	Acceptance of labor services			No	50,671.70
Beijing Tongruan Technology Co., Ltd.	Acceptance of labor services			No	6,047.80
Shandong Inspur Youpai Technology Education Co., Ltd.	Acceptance of labor services			No	700.00
Jinan Inspur Tongda Investment Co., Ltd.	Purchasing goods and accepting labor services	2,236,885.36		No	331,179.96

Shenzhen Inspur HCM Cloud Technology Co., Ltd.	Acceptance of labor services	605,581.07		No	
Shandong Inspur Zhuyuan Education Technology Co., Ltd.	Acceptance of labor services	377,745.28		No	
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Purchase of goods	2,445,004.64		No	
Inspur Hailian Yimao (Shandong) Information Technology Co., Ltd.	Acceptance of labor services	469,857.20		No	
Kunming Inspur Cloud Computing Industrial Park Development and Investment Co., Ltd.	Acceptance of labor services	54,892.01		No	
Jinan Inspur High-tech Investment Development Co., Ltd.	Purchase of goods	5,609.68		No	
Shandong SinoChip Semiconductors Co., Ltd.	Purchasing goods and accepting labor services	71,270,147.91		No	66,021,596.37
Other overseas subsidiaries of Inspur Group	Purchasing goods and accepting labor services	26,643,756.21		No	31,919,695.99

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Sales of goods/provision of labor services

Unit: RMB

Related party	Content of related-party transaction	Accrual in the current period	Accrual in the previous period
Inspur Software Group Co., Ltd.	Selling goods and providing labor services	80,909,913.10	531,563,876.52
Jinan Inspur Data Technology Co., Ltd.	Sales of goods	615,490,486.33	492,976,166.34
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Sales of goods	452,663,762.12	456,088,085.15
Yunnan Energy Investment Inspur Technology Co., Ltd.	Selling goods and providing labor services	11,425.75	172,472,779.55
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Selling goods and providing labor services	93,587,161.13	136,969,037.29
Inspur Software Co., Ltd.	Selling goods and providing labor services	41,647,972.24	58,833,610.60
Inspur Group Co., Ltd.	Selling goods and providing labor services	747,197.11	623,581.99
Shandong SinoChip Semiconductors Co., Ltd.	Selling goods and providing labor services	1,838,053.10	966,875.70
Metarnet TECHNOLOGIES Co., Ltd.	Sales of goods	1,057.90	
Inspur (Qingdao) Technology Group Co., Ltd.	Provision of labor services		5,420.00
Inspur Financial Information Technology Co., Ltd.	Provision of labor services	1,147,924.53	385,551.55
Inspur Software Technology Co., Ltd.	Selling goods and providing labor services	6,773,416.22	32,569,883.51
Shandong Inspur Digital Service Co., Ltd.	Sales of goods	1,964,927.43	9,292.03
Inspur Cisco Network Technology Co., Ltd.	Sales of goods	6,159,714.49	7,887,095.41
Inspur Communication Information System Co., Ltd.	Selling goods and providing labor services	53,774,336.03	933,455.76
Inspur Common Software Co., Ltd.	Selling goods and providing labor services	46,393,643.45	7,071,922.91
Inspur Cloud Technology Co., Ltd.	Provision of labor services	4,008,421.38	119,761.67

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Inspur Zhuoshu Big Data Industry Development Co., Ltd.	Provision of labor services	314,507.94	3,198.00
Qingdao Smart City Big Data Technology Co., Ltd.	Provision of labor services	5,271.00	14,250.00
Shandong Healthcare Big Data Co., Ltd.	Provision of labor services	793.50	
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Selling goods and providing labor services	1,396,053.79	45,431.16
Shanghai Inspur Cloud Computing Service Co., Ltd.	Selling goods and providing labor services	149,397.21	1,123,017.80
Inner Mongolia Inspur Information Technology Co., Ltd.	Provision of labor services		3,725.00
Shandong Inspur New Infrastructure Technology Co., Ltd.	Provision of labor services	82,559,887.27	102,874.60
Tianyuan Big Data Credit Management Co., Ltd.	Provision of labor services		37,723.00
Liangshan Inspur Yunhai Technology Co., Ltd.	Sales of goods		8,176.99
Chongqing Inspur Government Cloud Management and Operation Co., Ltd.	Sales of goods	58,814.14	4,955.75
Shandong Huitong Financial Leasing Co., Ltd.	Provision of labor services	17,634.47	12,304.00
Shandong Inspur Zhuyuan Education Technology Co., Ltd.	Provision of labor services		4,165.00
Shandong Inspur Youpai Technology Education Co., Ltd.	Provision of labor services		1,986.00
Shanghai Inspur Tongruan Technology Co., Ltd.	Provision of labor services		227.00
Wuhai Inspur Information Technology Co., Ltd.	Sales of goods		2,654.87
Digital Cloud Limited	Selling goods and providing labor services	6,876,204.28	1,652,619.74
Inspur Communication Technology Co., Ltd.	Provision of labor services	4,815,330.13	1,417,215.09
Anhui Inspur Sincere Information Technology Co., Ltd.	Sales of goods	796.46	1,769.91

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Inspur Industrial Internet Co., Ltd.	Selling goods and providing labor services	2,303,411.14	335,264.09
Diebold Financial Equipment Co., Ltd.	Sales of goods		1,353.98
Guangxi Inspur Cloud Computing Service Co., Ltd.	Sales of goods		6,274.64
Shandong Guoshuai Health Big Data Co., Ltd.	Provision of labor services	288,111.32	703.00
Jinan Inspur Tongda Investment Co., Ltd.	Selling goods and providing labor services	65,165.43	
Inspur (Binzhou) Cloud Computing Co., Ltd.	Sales of goods	11,575.22	
Inspur Group Finance Limited	Provision of labor services	21,886.79	
Inspur Intelligent Technology Co., Ltd.	Provision of labor services	6,135.00	
Inspur Intelligent Terminal Co., Ltd.	Provision of labor services	675,447.17	
Inner Mongolia Zhenglian Information Technology Co., Ltd.	Provision of labor services	93,266.98	
Qiannan Inspur Cloud Technology Co., Ltd.	Sales of goods	6,663.71	
Shandong Huaguang Optoelectronics Co., Ltd.	Provision of labor services	91,601.40	
Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	Provision of labor services	28,659.04	
Shandong Inspur Innovation and Entrepreneurship Technology Co., Ltd.	Provision of labor services	21,851.89	
Shandong Inspur Huaguang Optoelectronics Co., Ltd.	Provision of labor services	92,817.82	
Shandong Inspur Huizhong Industry Development Investment Co., Ltd.	Provision of labor services	154,372.63	
Shandong Inspur Scientific Research Institute Co., Ltd.	Provision of labor services	213,396.22	
Shandong Inspur Investment Management Co., Ltd.	Provision of labor services	5,754.71	
Shandong Inspur New Century Technology Co., Ltd.	Provision of labor services	45,205.66	

Shandong Inspur Intelligent Space Technology Service Co., Ltd.	Provision of labor services	8,458.49	
Shandong Inspur Smart Culture and Tourism Industry Development Co., Ltd.	Provision of labor services	17,017.92	
Shandong Inspur Smart Medical Technology Co., Ltd.	Provision of labor services	758.00	
Shandong Inspur Intelligent Engineering Co., Ltd.	Provision of labor services	8,415.09	
Weifang Huaguang Optoelectronics Co., Ltd.	Provision of labor services	119,629.60	
Changzhi Inspur Yunhai Cloud Computing Technology Co., Ltd.	Sales of goods	3,823.01	
Other overseas subsidiaries of Inspur Group	Selling goods and providing labor services	58,587,285.34	251,395,549.69

Related-party transaction of purchasing and selling goods, providing and accepting labor services

(2) Associated commissioned management/contracting and mandatory administration/outsourcing condition

Commissioned management/contracting of the Company:

Unit: RMB

Name of consignor/contractee	Name of consignee/contractor	Type of entrusted/contracted asset	Start date of being entrusted/contracted	End date of being entrusted/contracted	Pricing basis of trusteeship income/contracting income	Trusteeship income/contracting income recognized in the current period
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Description of associated trusteeship/contracting

Mandatory management/outsourcing of the Company:

Unit: RMB

Name of consignor/contractee	Name of consignee/contractor	Type of entrusting/outsourcing asset	Start date of entrustment/outsourcing	End date of entrustment/outsourcing	Pricing basis of trusteeship expenses/outsourcing expenses	Trusteeship expenses/outsourcing expenses recognized in current period
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Description of associated management/outsourcing

(3) Related-party lease

The Company acts as the lessor:

Unit: RMB

Name of the leasee	Types of lease assets	Lease income recognized in the current period	Lease income recognized in the previous period
Inspur Group Co., Ltd.	Rent and property	1,424,457.32	920,688.70
Inspur Financial Information Technology Co., Ltd.	Rent and property	1,023,550.97	1,748,948.44
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Rent and property	801,572.12	243,061.42
Inspur Software Technology Co., Ltd.	Rent and property	1,768,667.98	2,749,404.39
Inspur Cisco Network Technology Co., Ltd.	Rent and property	396,382.43	335,470.32
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Rent and property	120,816.56	109,703.51
Shandong Inspur Commercial System Co., Ltd.	Rent and property	57,965.71	90,108.05
Shandong New Generation Information Industry Technology Research Institute Co., Ltd.	Rent and property	20,783.87	21,776.23
Inspur Software Group Co., Ltd.	Rent and property		76,836.69
Shandong Inspur Intelligent Equipment Co., Ltd.	Rent and property	1,305,658.62	
Inspur Software Co., Ltd.	Rent and property	181,659.16	
Inspur Cloud Technology Co., Ltd.	Rent and property		2,623,907.50

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

The Company acts as the lessee:

Unit: RMB

Name of the lessor	Types of lease assets	Simplified rent for short-term leases and low-value asset leases (if applicable)		Variable lease payments not included into the measurement of lease liabilities (if applicable)		Rent paid		Interest expenditure of lease liabilities undertaken		Right-of-use assets added	
		Accrual in the current period	Accrual in the previous period	Accrual in the current period	Accrual in the previous period	Accrual in the current period	Accrual in the previous period	Accrual in the current period	Accrual in the previous period	Accrual in the current period	Accrual in the previous period
TiraeoneTechnology Ltd.	House	586,690.50	566,943.12			585,179.81	531,018.85				
Jinan Inspur Mingda Information Technology Co., Ltd.	House	6,165,714.07	8,787,538.48			6,538,562.60	8,340,940.69				
Inspur Group Co., Ltd.	House	13,655,918.64	10,785,540.06			9,936,247.27	8,992,490.10				
Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	House	7,580,617.03	4,436,949.32			4,889,755.57	3,145,102.49				
InspurUSAInc.	House	26,698.98	1,220,876.05			26,698.98	1,220,876.05				
Metarnet TECHNOLOGIES Co., Ltd.	House	3,421,213.41	4,812,803.62			3,421,213.41	4,396,052.61				
Jinan Inspur Tongda Investment Co., Ltd.	House	8,395,371.32	1,987,551.88			8,395,371.32	1,987,551.88				
Jinan Inspur Huida Information Technology Co., Ltd.	House	484,310.27				361,940.98	111,617.59				
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	House	1,418,850.27	565,418.70			1,251,505.91	449,604.34				

Description of related-party lease

(4) Related-party guarantee

The Company acts as the guarantor

Unit: RMB

Guaranteed party	Amount guaranteed	Start date of guarantee	Maturity date of guarantee	Whether the guarantee is mature
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The Company acts as the guaranteed party

Unit: RMB

Guarantor	Amount guaranteed	Start date of guarantee	Maturity date of guarantee	Whether the guarantee is mature
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Description of related-party guarantee

(5) Fund inter-bank lending of related party

Unit: RMB

Related party	Lending amount	Start date	Expiry date	Description
Borrowing				
Lending				

(6) Asset transfer and debt restructuring of related parties

Unit: RMB

Related party	Content of related-party transaction	Accrual in the current period	Accrual in the previous period
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(7) Remuneration of key management personnel

Item	Accrual in the current period	Accrual in the previous period
Remuneration of key management personnel	32,146,854.66	28,079,494.43

(8) Other related-party transactions

The Company signed a *Financial Service Agreement* with Inspur Group Finance Limited in February 2020. According to the Agreement, Inspur Group Finance Limited provides deposits, comprehensive credit, settlement, and other financial services to the Company and its controlling subsidiaries. Regarding deposit services, the deposit interest rate shall not be lower than the same type of deposit interest rate of major commercial banks in China during the same period, on the basis of meeting the relevant regulations of the People's Bank of China; regarding loan services, the loan interest rate shall not be higher than the same type of loan interest rate of major commercial banks in China during the same period.

1) The transaction amount between the Company and Inspur Group Finance Limited is as follows:

Item	Accrual in the current period	Accrual in the previous period
Accumulated bank deposits in the current period	144,864,496,710.97	152,054,631,370.72
Interest income	55,291,642.65	46,116,941.43
Interest expenditure	82,982,277.37	33,151,715.05
Payment for letter of guarantee handling fees	1,700,000.00	450,000.00
Obtaining short-term borrowings	2,450,000,000.00	1,300,000,000.00
Repayment of short-term borrowings	1,300,000,000.00	900,000,000.00
Obtaining long-term borrowings	187,489,149.19	36,275,849.99
Bill discounted	388,687,800.17	369,291,785.48
Discount interest of bill	550,217.19	1,907,683.46
Obtaining a letter of guarantee	600,000,000.00	300,000,000.00
Settlement, sale and remittance	524,899,981.59	

2) The balance of each project between the Company and Inspur Group Finance Limited is as follows:

Item	December 31, 2022	December 31, 2021
Monetary capital of related party	3,652,020,705.41	3,990,312,043.99
Principal of short-term borrowings	2,450,000,000.00	1,300,000,000.00
Interest payable of short-term borrowings	2,463,541.68	1,330,694.44
Principal of long-term borrowings	223,764,999.18	36,275,849.99
Interest payable of long-term borrowings	229,706.85	

6. Receivables and payables of related parties

(1) Receivables

Unit: RMB

Project name	Related party	Ending balance		Beginning balance	
		Book balance	Bad-debt reserves	Book balance	Bad-debt reserves
Accounts receivable	Other overseas subsidiaries of Inspur Group	72,246,805.99	12,813,043.01	95,445,481.05	8,825,234.58
Accounts receivable	VENEZOLANA DE INDUSTRIA TECNOLOGICA, C.A.	290,006,324.81	290,006,324.81	265,484,222.27	265,484,222.27
Accounts receivable	Metarnet TECHNOLOGIES Co., Ltd.			830.00	166.00
Accounts receivable	Guangxi Inspur Cloud Computing Service Co., Ltd.	6,274.64	1,254.93	6,274.64	313.73
Accounts receivable	Jinan Inspur Data Technology Co., Ltd.	74,423,143.48	3,721,157.17	73,189,165.16	3,674,458.26
Accounts receivable	Jinan Inspur Tongda Investment Co., Ltd.	46,291.00	2,314.55		
Accounts receivable	Jiangxi Inspur Venture Capital Cloud Computing Co., Ltd.	20,326.86	10,163.43	20,326.86	4,065.37
Accounts receivable	Inspur (Qingdao) Technology Group Co., Ltd.	4,438.64	887.73	4,438.64	221.93
Accounts receivable	Inspur (Shandong) Electronic Information Co., Ltd.	54,775.51	43,820.41	54,775.51	43,820.41
Accounts receivable	Inspur Industrial Internet Co., Ltd.	524,030.16	27,832.85	10,875.58	543.78
Accounts receivable	Inspur Group Co., Ltd.	19,197,459.83	7,540,855.86	16,959,803.64	3,189,329.40
Accounts receivable	Inspur Intelligent Terminal Co., Ltd.	715,974.00	35,798.70		
Accounts receivable	Inspur Software Co., Ltd.	28,643,183.70	2,188,555.35	171,763,817.07	9,273,766.77
Accounts receivable	Inspur Software Group Co., Ltd.	6,084,793.06	304,239.65	19,932,550.33	996,627.52
Accounts receivable	Inspur Software Technology Co., Ltd.	2,676,451.09	264,548.47	4,481,849.06	266,613.59
Accounts receivable	Inspur Cisco Network Technology Co., Ltd.	489,929.32	24,496.47	204,157.90	10,207.89
Accounts receivable	Inspur Communication Technology Co., Ltd.	214,463.00	10,723.15	1,502,248.00	75,112.40

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts receivable	Inspur Communication Information System Co., Ltd.	13,431,536.69	672,593.29	5,093.44	1,271.13
Accounts receivable	Inspur Common Software Co., Ltd.	3,183,056.23	822,927.23	1,658,846.27	728,044.56
Accounts receivable	Inspur Cloud Technology Co., Ltd.	1,177,066.79	58,853.34	3,010,654.64	150,532.73
Accounts receivable	Inspur Zhuoshu Big Data Industry Development Co., Ltd.	197,670.51	9,883.53	6,505.41	325.27
Accounts receivable	Qingdao Smart City Big Data Technology Co., Ltd.	9,854.51	1,970.90	14,532.71	726.64
Accounts receivable	Shandong Huitong Financial Leasing Co., Ltd.	21,605.85	1,080.29	6,940.46	347.02
Accounts receivable	Shandong Inspur New Infrastructure Technology Co., Ltd.	275,445.83	13,772.29	1,134.22	56.71
Accounts receivable	Shandong Inspur Cloud Service Information Technology Co., Ltd.	6,250,429.86	312,521.49	41,856,707.57	2,092,835.38
Accounts receivable	Shandong Inspur Ultra HD Video Industry Co., Ltd.	1,651,213.47	82,560.67	10,519.17	525.96
Accounts receivable	Shanghai Inspur Tongruan Technology Co., Ltd.			2,056.51	912.83
Accounts receivable	Shanghai Inspur Cloud Computing Service Co., Ltd.	978,158.87	183,457.94	897,000.00	44,850.00
Accounts receivable	Digital Cloud Limited	5,080,138.33	254,006.92	313,435.34	15,671.77
Accounts receivable	Tianyuan Big Data Credit Management Co., Ltd.			1,881.45	94.07
Accounts receivable	Yunnan Inspur Digital Technology Co., Ltd.			4,350.00	2,175.00
Accounts receivable	Inner Mongolia Zhenglian Information Technology Co., Ltd.	45,563.00	2,278.15		
Accounts receivable	Shandong Guoshuai Health Big Data Co., Ltd.	171,698.00	8,584.90		
Accounts receivable	Shandong Huaguang Optoelectronics Co., Ltd.	63,158.01	3,157.90		
Accounts receivable	Shandong Inspur Innovation and Entrepreneurship Technology Co., Ltd.	12,163.00	608.15		
Accounts receivable	Shandong Inspur Huaguang Optoelectronics Co., Ltd.	20,686.89	1,034.34		
Accounts receivable	Shandong Inspur Huizhong Industry Development Investment Co., Ltd.	48,151.83	2,407.59		

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts receivable	Shandong Inspur Digital Service Co., Ltd.	727,646.71	36,382.34		
Accounts receivable	Shandong Inspur New Century Technology Co., Ltd.	14,818.00	740.90		
Accounts receivable	Shandong Inspur Intelligent Space Technology Service Co., Ltd.	8,966.00	448.30		
Accounts receivable	Shandong Inspur Smart Culture and Tourism Industry Development Co., Ltd.	6,839.00	341.95		
Accounts receivable	Shandong Inspur Smart Medical Technology Co., Ltd.	856.54	42.83		
Accounts receivable	Shandong Inspur Intelligent Engineering Co., Ltd.	8,920.00	446.00		
Accounts receivable	Shandong Inspur Intelligent Equipment Co., Ltd.	1,736,520.86	86,826.04		
Accounts receivable	Shandong New Generation Information Industry Technology Research Institute Co., Ltd.	2,702.70	135.14		
Accounts receivable	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	83,515,288.38	4,175,764.42		
Accounts receivable	Shanghai Yunxi Technology Co., Ltd.	485.90	24.30		
Accounts receivable	Weifang Huaguang Optoelectronics Co., Ltd.	82,648.47	4,132.42		
Advance payment	Inspur Communication Information System Co., Ltd.	600,000.00		600,000.00	
Advance payment	Jinan Inspur Mingda Information Technology Co., Ltd.	8,880.25			
Advance payment	Jinan Inspur Data Technology Co., Ltd.			4,101,557.44	
Advance payment	Kunming Inspur Cloud Computing Industrial Park Development and Investment Co., Ltd.	5,244.79			
Advance payment	Inspur Financial Information Technology Co., Ltd.	7,280.00		8,307.96	
Advance payment	Shandong Inspur Digital Service Co., Ltd.	193,400.00			
Advance payment	Inspur Cisco Network Technology Co., Ltd.	2,340.95		2,340.95	
Advance payment	Shandong Mingzhu Shijia Real Estate Co., Ltd.	780,000.00			
Advance payment	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.			379,024.55	

Advance payment	Yunnan Inspur Digital Technology Co., Ltd.	15,684.63		13,287.95	
Advance payment	Inspur Group Co., Ltd.	419,260.35			
Advance payment	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	4,280.00			
Other receivables	Other overseas subsidiaries of Inspur Group	2,524.40	694.21	1,262.20	252.44
Other receivables	Beijing Tongruan Technology Co., Ltd.	110,000.00	88,000.00	110,000.00	88,000.00
Other receivables	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	5,600.00	280.00		
Other receivables	Inspur (Shandong) Electronic Information Co., Ltd.	27,406.29	21,925.03	27,406.29	15,370.98
Other receivables	Inspur Group Co., Ltd.	2,421,423.00	484,232.60	2,421,088.00	121,054.40
Other receivables	Inspur Financial Information Technology Co., Ltd.			10.88	2.18
Other receivables	Inspur Software Co., Ltd.	675,559.76	368,421.32	940,952.90	325,273.36
Other receivables	Inspur Software Group Co., Ltd.	7,502,153.32	5,075,172.66	7,502,153.32	4,649,418.66
Other receivables	Shandong Inspur Digital Service Co., Ltd.	2,132.70	1,237.83	2,132.70	598.02
Other receivables	Shanghai Inspur Information Technology Co., Ltd.	20,000.00	1,000.00		
Other receivables	Qingdao Inspur Park Operation Management Co., Ltd.			7,950.00	6,360.00
Other receivables	Shandong Huaguang Optoelectronics Co., Ltd.	856.73	685.38	856.73	685.38
Other receivables	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	36,798.28	1,839.91		

Other receivables	Shandong Inspur Financial Software Information Co., Ltd.	179,307.65	143,446.12	179,307.65	143,446.12
Other receivables	Shandong Inspur Senya Network Technology Co., Ltd.	2,197.26	1,757.81	2,197.26	1,757.81
Other receivables	Shandong Inspur New Infrastructure Technology Co., Ltd.	213,932.06	14,411.80	24,768.00	1,238.40
Other receivables	Shandong Inspur New Century Technology Co., Ltd.	1,099.58	879.66	1,099.58	879.66
Other receivables	Shandong Inspur Cloud Service Information Technology Co., Ltd.	7,710.60	6,168.48	7,710.60	6,168.48
Other receivables	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	92,382.23	73,905.78	92,382.23	73,905.78

(2) Payables

Unit: RMB

Project name	Related party	Ending book balance	Beginning book balance
Accounts payable	Shanghai Inspur Information Technology Co., Ltd.		24,097,057.01
Accounts payable	Inspur Financial Information Technology Co., Ltd.	7,269.12	
Accounts payable	Beijing Tongruan Technology Co., Ltd.		244,272.22
Accounts payable	Jinan Inspur Mingda Information Technology Co., Ltd.		121,991.75
Accounts payable	Jinan Inspur Data Technology Co., Ltd.	8,837,655.28	9,470,355.15
Accounts payable	Inspur (Qingdao) Technology Group Co., Ltd.	3,755.94	3,755.94
Accounts payable	Inspur Group Co., Ltd.	253,028.49	9,567.10
Accounts payable	Inspur Software Co., Ltd.	632,054.04	943,355.92
Accounts payable	Inspur Software Group Co., Ltd.	368,397.86	2,115,846.60
Accounts payable	Inspur Software Technology Co., Ltd.	454,892.58	1,232,107.55
Accounts payable	Shandong Inspur Digital Service Co., Ltd.	617,637.78	53,905.70
Accounts payable	Inspur Cisco Network Technology Co., Ltd.	8,202.05	10,770,340.05
Accounts payable	Inspur Communication Information System Co., Ltd.	182,661.90	182,661.90

Accounts payable	Inspur Common Software Co., Ltd.	1,502,900.01	3,782,604.83
Accounts payable	Inspur Cloud Technology Co., Ltd.	0.38	6,035,415.78
Accounts payable	Inspur Zhuoshu Big Data Industry Development Co., Ltd.	48,000.00	69,500.00
Accounts payable	Inner Mongolia Inspur Information Technology Co., Ltd.		5,803,886.02
Accounts payable	Shandong Aicheng Information Technology Co., Ltd.	100,000.00	100,000.00
Accounts payable	Shandong SinoChip Semiconductors Co., Ltd.		34,206,162.91
Accounts payable	Shandong Huitong Financial Leasing Co., Ltd.		9,632,488.99
Accounts payable	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	102,655.82	2,517,235.00
Accounts payable	Shandong Inspur E-government Software Co., Ltd.		450,000.00
Accounts payable	Inspur Industrial Internet Co., Ltd.		8,042.45
Accounts payable	Shandong Inspur New Infrastructure Technology Co., Ltd.	47,695.06	6,866,150.00
Accounts payable	Shandong Inspur Cloud Service Information Technology Co., Ltd.	486.35	11,936.25
Accounts payable	Shandong Inspur Ultra HD Video Industry Co., Ltd.	2,458,454.07	13,449.43
Accounts payable	Shandong Inspur Zhuyuan Education Technology Co., Ltd.	41,971.70	
Accounts payable	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.		5,586,769.28
Accounts payable	Shanghai Inspur Cloud Computing Service Co., Ltd.	8,306.25	2,676.33
Accounts payable	Yantai Inspur Park Operation Management Co., Ltd.	21,096.00	21,096.00

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts payable	Yunnan Inspur Digital Technology Co., Ltd.		31,489,360.78
Accounts payable	Digital Cloud Limited	14,479,655.56	
Contract liabilities	Other overseas subsidiaries of Inspur Group	5,365,029.17	4,911,382.78
Contract liabilities	Diebold Financial Equipment Co., Ltd.	8,849.56	10,000.00
Contract liabilities	Guangxi Inspur Cloud Computing Service Co., Ltd.	5,552.78	6,274.64
Contract liabilities	Jinan Inspur Data Technology Co., Ltd.	102,623.01	115,964.00
Contract liabilities	Laizhou Inspur Common Software Co., Ltd.		3,063.01
Contract liabilities	Inspur (Shandong) Electronic Information Co., Ltd.	51,969.03	58,725.00
Contract liabilities	Inspur Innovation Technology Co., Ltd.		249,469.03
Contract liabilities	Inspur Group Co., Ltd.	1,086,539.28	1,087,389.38
Contract liabilities	Inspur Financial Information Technology Co., Ltd.	0.11	0.12
Contract liabilities	Inspur Software Co., Ltd.	220,741.04	283,602.37
Contract liabilities	Inspur Software Group Co., Ltd.	14,053,375.60	18,112,671.77
Contract liabilities	Shandong Inspur Digital Service Co., Ltd.	515.63	582.66
Contract liabilities	Inspur Communication Information System Co., Ltd.	98,200.36	1,058,619.16
Contract liabilities	Inspur Common Software Co., Ltd.	2,584,840.21	32,280.30
Contract liabilities	Inspur Cloud (Guizhou) Technology Co., Ltd.	947,035.40	1,070,150.00
Contract liabilities	Inspur Cloud Technology Co., Ltd.	33,353.71	37,689.69
Contract liabilities	Liaocheng Inspur Electronic Information Co., Ltd.	0.02	0.02
Contract liabilities	Linyi Inspur Lighting Technology Co., Ltd.		192,705.00
Contract liabilities	Inner Mongolia Inspur Information Technology Co., Ltd.	156,935.23	177,336.81

Contract liabilities	Shandong SinoChip Semiconductors Co., Ltd.	1,496.28	1,690.80
Contract liabilities	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	60,281.23	595,480.00
Contract liabilities	Shandong Inspur E-government Software Co., Ltd.	672.57	672.57
Contract liabilities	Shandong Inspur Cloud Service Information Technology Co., Ltd.		501,600.00
Contract liabilities	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	536,283.19	606,000.00
Contract liabilities	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	4,395,726.55	4,278,830.00
Contract liabilities	Shandong Inspur Ultra HD Video Industry Co., Ltd.	11,054.00	12,491.02
Contract liabilities	Shanghai Inspur Information Technology Co., Ltd.	15,292.42	17,280.44
Contract liabilities	Shanghai Inspur Cloud Computing Service Co., Ltd.	81,191.03	91,745.86
Contract liabilities	Xi'an Inspur Yunchuang Information Technology Co., Ltd.	1.77	8,466.54
Contract liabilities	Yunnan Inspur Digital Technology Co., Ltd.	133,672.56	158,901.03
Contract liabilities	Inspur Communication Technology Co., Ltd.	212,743.36	
Contract liabilities	Shandong Inspur New Infrastructure Technology Co., Ltd.	17,699.12	
Other payables	Other overseas subsidiaries of Inspur Group	1,920,300.80	35,924.27
Other payables	Metarnet TECHNOLOGIES Co., Ltd.	239,406.40	208,533.61
Other payables	Beijing Tongruan Technology Co., Ltd.	11,650.56	11,650.56
Other payables	Hainan Inspur Information Technology Co., Ltd.		5,723.52
Other payables	Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	747,810.57	48,564.88

Other payables	Jinan Inspur Huida Information Technology Co., Ltd.	78,618.27	33,093.93
Other payables	Jinan Inspur Mingda Information Technology Co., Ltd.	167,936.02	773,613.34
Other payables	Shandong Inspur Capital Investment Co., Ltd.	8.76	8.76
Other payables	Diebold Financial Equipment Co., Ltd.	179,937.20	
Other payables	Inspur (Qingdao) Technology Group Co., Ltd.	3,855.56	3,855.56
Other payables	Inspur (Xiamen) Electronic Technology Co., Ltd.	725,713.12	998,176.66
Other payables	Inspur Group Co., Ltd.	679,898.95	5,945,241.93
Other payables	Jinan Inspur Tongda Investment Co., Ltd.	99,399.28	
Other payables	Inspur Software Co., Ltd.	125,850.00	
Other payables	Inspur Software Group Co., Ltd.	365.00	365.00
Other payables	Inspur Software Technology Co., Ltd.	159,216.49	29,543.76
Other payables	Shandong Inspur Digital Service Co., Ltd.	219,179.79	106,077.80
Other payables	Inspur Hailian Yimao (Shandong) Information Technology Co., Ltd.	26,858.92	
Other payables	Inspur Industrial Internet Co., Ltd.	765,734.08	939,249.24
Other payables	Shandong Inspur Youpai Technology Education Co., Ltd.	231.65	231.65
Other payables	Shandong Inspur Cloud Service Information Technology Co., Ltd.	144,312.11	40,396.89
Other payables	Shandong Inspur New Infrastructure Technology Co., Ltd.	3,209.20	
Other payables	Shandong Mingzhu Shijia Real Estate Co., Ltd.	0.01	0.01
Other payables	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.		205,280.87

Other payables	Shandong Inspur Ultra HD Video Industry Co., Ltd.	70,098.18	70,098.18
Other payables	Shanghai Inspur Cloud Computing Service Co., Ltd.	56,492.38	52,087.64
Other payables	Chongqing Inspur Cloud Chain Information Technology Co., Ltd.		76,670.31

XIII. Share-based Payment**1. Overall situation of share-based payment**

Applicable Not applicable

Unit: RMB

Total equity instruments granted by the Company in the current period	0.00
Total equity instruments exercised by the Company in the current period	111,963,114.90
Total equity instruments that have expired in the current period of the Company	11,465,337.96
Scope of the exercise price of the Company's outstanding share option and remaining period of the contract at the end of the period	The exercise price is RMB 15.81/share, and the remaining exercise period is 8 months

Other descriptions:

2. Share-based payment settled by equity

Applicable Not applicable

Unit: RMB

Determination method of fair value of equity instruments on grant date	Black-Scholes model
Determination basis of the quantity of vesting equity instruments	Determine the best estimate of the number of grants that may be exercised by the incentive object
Reasons for the significant difference between the estimate in the current period and the estimate in the previous period	None
Cumulative amount of share-based payment in equity included in capital reserves	686,968,471.62
Total expenses recognized by share-based payment in equity in current period	7,526,882.14

Other descriptions:

3. Share-based payment settled by cash

Applicable Not applicable

XIV. Commitments and Contingencies**1. Important commitments**

Important commitments existing on the balance sheet date

None

2. Contingencies**(1) Important contingencies existing on the balance sheet date**

The Company has no important contingencies to be disclosed.

(2) The Company shall also give the indication for no important contingencies to be disclosed.

The Company has no important contingencies to be disclosed.

XV. Events after the Balance Sheet Date**1. Important non-adjusting amount**

Unit: RMB

Item	Contents	Influence number on financial conditions and operating results	Reasons for inestimable influence number
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2. Profit distribution

Unit: RMB

Profits or dividends to be distributed	219,556,427.40
Profits or dividends declared after deliberation and approval	219,556,427.40
Profit distribution plan	The Company plans to distribute a cash dividend of RMB 1.50 (including tax) per 10 shares to all shareholders based on the existing total share capital of 1,463,709,516.00 shares, totaling RMB 219,556,427.40.

XVI. Notes to Main Items of Financial Statements of Parent Company

1. Accounts receivable

(1) Classification disclosure of accounts receivable

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Accounts receivable for which bad-debt reserves are recognized on an individual basis	4,977,874.89	0.03%	4,977,874.89	100.00%		261,500.00	0.00%	261,500.00	100.00%	
Including:										
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	4,977,874.89	0.03%	4,977,874.89	100.00%		261,500.00	0.00%	261,500.00	100.00%	
Accounts receivable for which bad-debt reserves are recognized on a combination basis	16,317,831,983.95	99.97%	385,070,739.40	2.36%	15,932,761,244.55	14,437,585,730.11	100.00%	523,935,618.06	3.63%	13,913,650,112.05

Including:										
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	16,317,831,983.95	99.97%	385,070,739.40	2.36%	15,932,761,244.55	14,437,585,730.11	100.00%	523,935,618.06	3.63%	13,913,650,112.05
Total	16,322,809,858.84	100.00%	390,048,614.29	2.39%	15,932,761,244.55	14,437,847,230.11	100.00%	524,197,118.06	3.63%	13,913,650,112.05

Withdrawal of bad-debt reserves by single item: Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves

Unit: RMB

Name	Ending balance			
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	4,977,874.89	4,977,874.89	100.00%	The Company has been revoked or cancelled
Total	4,977,874.89	4,977,874.89		

Withdrawal of bad-debt reserves in portfolios: Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Including: Accounts receivable from related parties within the consolidation scope	9,053,360,258.71		
Amounts receivable from other customers	7,264,471,725.24	385,070,739.40	5.30%
Total	16,317,831,983.95	385,070,739.40	

Descriptions for determining the combination basis:

If the bad-debt reserves of accounts receivable are made according to the general model of expected credit loss, refer to the disclosure method of other receivables to disclose relevant information on bad-debt reserves:

Applicable Not applicable

Disclosure by account age

Unit: RMB

Account age	Book balance
Within 1 year (inclusive)	16,023,738,262.97
1-2 years	158,798,596.02
2-3 years	130,170,481.61
Over 3 years	10,102,518.24
3-4 years	409,505.15
4-5 years	1,842,046.53
Over 5 years	7,850,966.56
Total	16,322,809,858.84

(2) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Accounts receivable for which bad-debt reserves are recognized on an individual basis	261,500.00	4,716,374.89				4,977,874.89
Accounts receivable for which bad-debt reserves are recognized on a combination basis						
Including: Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	523,935,618.06		138,864,878.66			385,070,739.40
Total	524,197,118.06	4,716,374.89	138,864,878.66			390,048,614.29

Thereinto, important amounts of bad-debt reserves recovered or reversed in the current period:

Unit: RMB

Unit name	Amount recovered or reversed	Recovery method
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(3) Actual write-off accounts receivable in the current period

Unit: RMB

Item	Written-off amount
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Thereinto, conditions for write-off of important accounts receivable:

Unit: RMB

Unit name	Nature of accounts receivable	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction
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Description of write-off of accounts receivable:

(4) Accounts receivable of the top five among ending balance collected by the debtor

Unit: RMB

Unit name	Ending balance of accounts receivable	Proportion of the total ending balance of accounts receivable	Ending balance of bad-debt reserves
Customer 1	3,814,879,932.99	23.37%	
Customer 2	2,495,046,637.27	15.29%	
Customer 3	1,002,735,842.44	6.14%	50,136,792.12
Customer 4	942,562,676.59	5.77%	
Customer 5	861,224,162.45	5.28%	43,061,208.12
Total	9,116,449,251.74	55.85%	

(5) Amount of assets and liabilities formed from transfer of accounts receivable and continuous involvement

Other descriptions:

(6) Accounts receivable derecognized due to transfer of financial assets

The Company derecognized accounts receivable due to its accounts receivable factoring business, which amounted to RMB 1,543,521,134.93.

2. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	74,457,902.89	529,535,452.12
Total	74,457,902.89	529,535,452.12

(1) Interests receivable**1) Classification of interests receivable**

Unit: RMB

Item	Ending balance	Beginning balance
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2) Important overdue interests

Borrower	Ending balance	Overdue time	Overdue reason	Impairment or not and its judgment basis
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Other descriptions:

3) Bad-debt reserves Applicable Not applicable**(2) Dividends receivable****1) Classification of dividends receivable**

Unit: RMB

Item (or investee)	Ending balance	Beginning balance
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2) Dividends receivable when important aging exceeds 1 year

Unit: RMB

Item (or investee)	Ending balance	Account age	Reasons of unrecovered	Impairment or not and its judgment basis
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3) Bad-debt reserves Applicable Not applicable

Other descriptions:

(3) Other receivables**1) Classification of other receivables according to the nature of payment**

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Staff reserves	4,597,850.98	6,838,827.89
Deposits	85,665.22	111,722.22
Intercourse funds	34,697,799.22	494,484,479.50
Other payments	8,969,445.82	4,028,903.83
Performance bond	53,114,038.01	46,211,771.79
Total	101,464,799.25	551,675,705.23

2) Bad-debt reserves

Unit: RMB

Bad-debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the future 12 months	Expected credit loss throughout the entire duration (credit impairment that has not occurred)	Expected credit loss throughout the entire duration (credit impairment that has occurred)	
Balance as of January 1, 2022	21,996,930.61		143,322.50	22,140,253.11
Balance as of January 1, 2022 in the current period				
- Transfer to Stage II	-1,338,421.93	1,338,421.93		
- Transfer to Stage III	-3,176,859.01		3,176,859.01	
Calculation and withdrawal in the current period	2,803,974.56	55,664.71	2,007,003.98	4,866,643.25
Balance as of December 31, 2022	20,285,624.23	1,394,086.64	5,327,185.49	27,006,896.36

Changes in the book balance with significant changes in loss reserves for the current period

 Applicable Not applicable

Disclosure by account age

Unit: RMB

Account age	Book balance
Within 1 year (inclusive)	59,703,920.04
1-2 years	6,419,878.88
2-3 years	8,859,598.74
Over 3 years	26,481,401.59
3-4 years	7,108,173.00
4-5 years	6,731,594.14
Over 5 years	12,641,634.45
Total	101,464,799.25

3) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Other receivables with expected credit loss of 0 and no provision for credit impairment losses						
Other receivables with expected credit impairment throughout the entire existence period	143,322.50	5,183,862.99				5,327,185.49
Other receivables reserved for bad debts in accordance with the same credit risk characteristic portfolio	21,996,930.61		317,219.74			21,679,710.87
Total	22,140,253.11	5,183,862.99	317,219.74			27,006,896.36

Thereinto, important amounts of bad-debt reserves reversed or recovered in the current period:

Unit: RMB

Unit name	Amount reversed or recovered	Recovery method

4) Other receivables actually written off in current period

Unit: RMB

Item	Written-off amount

Thereinto, conditions for write-off of important other receivables:

Unit: RMB

Unit name	Nature of other receivables	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction

Write-off descriptions of other receivables:

5) Other receivables of the top five among ending balance collected by the debtor

Unit: RMB

Unit name	Nature of payment	Ending balance	Account age	Proportion of the total ending balance of other receivables	Ending balance of bad-debt reserves
Unit 1	Intercourse funds	21,777,777.78	Within 1 year	21.46%	
Unit 2	Deposits	17,297,135.85	Over 1 years	17.05%	12,186,499.73
Unit 3	Deposits	3,698,000.00	Within 1 year	3.64%	184,900.00
Unit 4	Deposits	3,460,786.00	Within 1 year	3.41%	173,039.30
Unit 5	Deposits	2,000,000.00	4-5 years	1.97%	1,600,000.00
Total		48,233,699.63		47.53%	14,144,439.03

6) Receivables involving government subsidies

Unit: RMB

Unit name	Government subsidy project name	Ending balance	Ending aging	Predicted collecting time, amount and evidence

7) Other receivables derecognized due to transfer of financial assets

8) Amount of assets and liabilities formed from transfer of other receivables and continuous involvement

Other descriptions:

3. Long-term equity investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Investment in subsidiaries	2,580,265,850.38		2,580,265,850.38	2,421,255,850.38		2,421,255,850.38
Investment in associated enterprises and joint ventures	360,126,122.18		360,126,122.18	306,872,633.81		306,872,633.81
Total	2,940,391,972.56		2,940,391,972.56	2,728,128,484.19		2,728,128,484.19

(1) Investment in subsidiaries

Unit: RMB

Investee	Beginning balance (book value)	Increase/decrease changes in the current period				Ending balance (book value)	Ending balance of impairment reserves
		Additional investments	Negative investments	Provision for impairment reserves	Others		
Inspur (Beijing) Electronic Information Industry Co., Ltd.	61,722,500.00					61,722,500.00	
Shenzhen Tianhecheng Industrial Development Co., Ltd.	8,670,924.83					8,670,924.83	
Jinan Oriental Joint Technology Development Co., Ltd.	477,750,230.55					477,750,230.55	
Shandong Inspur Import and Export Co., Ltd.	630,723,365.00					630,723,365.00	
Inspur Electronic Information (Hong Kong) Co., Ltd.	102,898,830.00					102,898,830.00	
Beijing Inspur Anda Technology Investment Co., Ltd.	30,000,000.00					30,000,000.00	
Guangdong Inspur Intelligent Computing Technology Co., Ltd.	10,000,000.00					10,000,000.00	
Jinan Inspur Yunhai Trading Co., Ltd.	10,000,000.00					10,000,000.00	

Dingtian Shenghua (Beijing) Software Technology Co., Ltd.	24,490,000.00		24,490,000.00				
Guizhou Inspur Yingxin Technology Co., Ltd.	20,000,000.00					20,000,000.00	
Inspur (Qingdao) Electronic Information Industry Co., Ltd.	10,000,000.00					10,000,000.00	
Inspur Power Commercial Systems Co., Ltd.	340,000,000.00					340,000,000.00	
Shaanxi Inspur Yingxin Technology Co., Ltd.	10,000,000.00					10,000,000.00	
Shanxi Inspur Electronic Information Industry Co., Ltd.	10,000,000.00					10,000,000.00	
Anhui Inspur Electronic Information Industry Co., Ltd.	10,000,000.00		10,000,000.00				
Inspur (Tianjin) Electronic Information Technology Co., Ltd.	10,000,000.00		10,000,000.00				
Suzhou Inspur Intelligent Technology Co., Ltd.	200,000,000.00	203,500,000.00				403,500,000.00	
Guiyang Inspur Intelligent Technology Co., Ltd.	100,000,000.00					100,000,000.00	

Inspur (Xiamen) Computer Technology Co., Ltd.	50,000,000.00					50,000,000.00	
Inspur (Nanning) Computer Technology Co., Ltd.	50,000,000.00					50,000,000.00	
Inspur (Changchun) Computer Technology Co., Ltd.	50,000,000.00					50,000,000.00	
Inspur (Beijing) Computer Technology Co., Ltd.	30,000,000.00					30,000,000.00	
Inspur (Chengdu) Computer Technology Co., Ltd.	50,000,000.00					50,000,000.00	
Inspur (Zhengzhou) Computer Technology Co., Ltd.	30,000,000.00					30,000,000.00	
Fuzhou Inspur Computer Technology Co., Ltd.	30,000,000.00					30,000,000.00	
Inspur (Shandong) Computer Technology Co., Ltd.	65,000,000.00					65,000,000.00	
Total	2,421,255,850.38	203,500,000.00	44,490,000.00			2,580,265,850.38	

(2) Investment in associated enterprises and joint ventures

Unit: RMB

Investor	Beginning balance (book value)	Increase/decrease changes in the current period								Ending balance (book value)	Ending balance of impairment reserves
		Additional investments	Negative investments	Investment profit and loss recognized by the equity method	Adjustments of other comprehensive incomes	Other equity changes	Cash dividends or profits to be issued as announced	Provision for impairment reserves	Others		
I. Joint venture											
Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	85,053,660.77			50,652,119.88		561,066.67				136,266,847.32	
Subtotal	85,053,660.77			50,652,119.88		561,066.67				136,266,847.32	
II. Associated enterprise											
Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	155,457,360.13			3,724,849.72						159,182,209.85	
TUNGKONG INC.	55,883,761.81			4,800,193.73		5,837,478.60				54,846,476.94	
Shandong SinoChip Semiconductors Co., Ltd.	5,983,495.43			397,233.50						6,380,728.93	
Shandong Huaxin Youchuang Technology Co., Ltd.	4,494,355.67			1,044,496.53						3,449,859.14	
Subtotal	221,818,973.04			7,877,780.42		5,837,478.60				223,859,274.86	
Total	306,872,633.81			58,529,900.30		561,066.67	5,837,478.60			360,126,122.18	

(3) Other descriptions

4. Operating income and operating cost

Unit: RMB

Item	Accrual in the current period		Accrual in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	70,903,748,378.06	65,324,818,844.18	66,266,360,979.79	60,561,127,687.23
Other businesses	231,588,828.32	124,392,202.10	326,145,139.43	73,478,216.70
Total	71,135,337,206.38	65,449,211,046.28	66,592,506,119.22	60,634,605,903.93

Information related to revenue:

Unit: RMB

Contract classification	Segment 1	Segment 2		Total
Goods type				
Including:				
Classification by operating area				
Including:				
Market or customer type				
Including:				
Contract type				
Including:				
Classified by time of goods transfer				
Including:				
Classified by contract term				
Including:				
Classified by sales channel				

Including:				
Total				

Information related to performance obligations:

None.

Information related to the transaction price allocated to the remaining performance obligations:

The revenue corresponding to the performance obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of the reporting period is RMB 2,908,136,090.44, with RMB 2,908,136,090.44 expected to be recognized as revenue in 2023.

Other descriptions:

5. Return on investment

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Return on long-term equity investment accounted by the cost method	25,753,938.12	40,366,108.87
Return on long-term equity investment accounted by the equity method	58,529,900.30	6,785,032.27
Return on investment from disposal of long-term equity investment	-21,545,803.30	
Return on investment for disposal of trading financial assets	16,155,202.97	141,440,375.61
Total	78,893,238.09	188,591,516.75

XVII. Supplementary Information**1. Current non-recurring profits and losses**

Applicable Not applicable

Unit: RMB

Item	Amount	Description
Gains or losses on disposal of non-current assets	-352,557.90	
Government subsidies included into the current profits and losses (except those that were closely related to the Company's normal business operations, comply with national policies and regulations and were continuously available in accordance with certain standard quota or quantity)	396,038,248.77	
Except effective hedging business related to the Company's normal business operations, profits and losses from fair value changes caused by the held trading financial assets and trading financial liabilities, and return on investment acquired from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets.	8,388,352.17	
Non-operating income and expenditure other than those mentioned above	4,438,604.34	
Minus: Influenced amount of income tax	63,772,853.08	
Influenced amount of minority equity	2,577,195.76	
Total	342,162,598.54	—

Specific situations of other profit and loss items complying with the definition of non-recurring profits or losses:

Applicable Not applicable

The Company does not have specific situations of other profit and loss items complying with the definition of non-recurring profits or losses. Description on situations for defining non-recurring profit and loss items listed in the *Explanatory Announcement No.1 on Disclosure of the Information of Companies Offering Their Securities to the Public - Non-recurring Profits and Losses* as recurring profits and losses.

Applicable Not applicable

Item	Amount involved (RMB)	Reasons
Software tax refund for immediate collection and refund	106,883,923.97	Belonging to government subsidies that are continuously enjoyed according to certain standards, quotas or quantities

2. Return on net assets and earnings per share

Profit during the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to common shareholders of the Company	13.39%	1.3927	1.3894
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	11.13%	1.1580	1.1553

3. Accounting data difference under domestic and foreign accounting standards

(1) Difference in net profits and net assets in financial report disclosed in accordance with international accounting standards and Chinese accounting standards.

Applicable Not applicable

(2) Difference in net profits and net assets in financial report disclosed in accordance with foreign accounting standards and Chinese accounting standards.

Applicable Not applicable

(3) The reason of accounting data difference under domestic and foreign accounting standard shall be explained. If the data audited by the foreign audit authority carries out the different adjustment, the name of foreign authority shall be indicated.

4. Others

Section X Financial Statements

I. Audit Report

Type of audit opinion	Standard unqualified opinion
Signing date of the audit report	April 19, 2024
Name of audit institution	Da Hua Certified Public Accountants (Special General Partnership)
Document number of the audit report	DHS ZI [2024] No. 0011018860
Name of CPAs	Yin Xianfeng, Wang Kun

Main body of the audit report

Audit Report

DHS ZI [2024] No. 0011018860

To all shareholders of Inspur Electronic Information Industry Co., Ltd.:

I. Audit Opinions

We have audited the financial statements of Inspur Electronic Information Industry Co., Ltd. (hereinafter referred to as "Inspur Information"), including the consolidated and parent company balance sheet as of December 31, 2023, as well as the consolidated and parent company profit statement, the consolidated and parent company cash flow statement, the consolidated and parent company statement of changes in shareholders' equities, and other relevant notes to financial statements as of 2023.

In our opinion, the attached financial statements are prepared in accordance with the provisions of Accounting Standards for Business Enterprises in all material respects and fairly present Inspur Information's consolidated and the parent company's financial position as of December 31, 2023 and the consolidated and parent company's operating results and cash flows in 2023.

II. Basis for Audit Opinions

We have conducted our audit in accordance with the Auditing Standards of Chinese Certified Public Accountants. Our responsibilities thereunder are further described in the section of "CPA's Responsibilities for the Audit of the Financial Statements" of the Audit Report. According to the China Code of Ethics for Certified Public Accountants, we are independent of the Inspur Information Company and fulfilled other responsibilities of code of ethics. We believe that the audit evidences we have obtained are sufficient and appropriate, and provide a basis for our audit opinions.

III. Key Audit Matters

Key audit matters refer to the matters that we consider as most important for auditing the financial statements in accordance with our professional judgments. The response to these matters is based on the audit of the financial statements as a whole and the formation of audit opinions. We do not express opinions on these matters separately.

We determine that the following matters are the key audit matters which shall be provided in the Audit Report.

1. Revenue recognition

2. Inventory falling price reserves

(I) Revenue recognition

1. Matter description

As stated in "42. Operating Income and Operating Cost of V. Notes to Main Items of Consolidated Financial Statements" in the report, Inspur Information Company recognized the operating income of RMB 65.867 billion in 2023 and RMB 69.635 billion in 2022. Since revenue is one of the key performance indicators of Inspur Information Company, there is an inherent risk that the management will manipulate the revenue recognition time in order to achieve specific goals or expectations, so we identified the revenue recognition time as a key audit matter.

2. Audit response

The important audit procedures we implement for revenue recognition are as follows:

(1) Understand the internal controls related to sales and collection of Inspur Information Company, evaluate and test the effectiveness of its design and operation;

- (2) Understand and evaluate whether the selection and implementation of revenue recognition related policies by the management of Inspur Information Company comply with the requirements of the Accounting Standards for Business Enterprises and the consistent implementation of policies;
- (3) Perform an analysis procedure on revenue and gross profit based on the revenue type, and determine whether there is any abnormal fluctuation in the amount of revenue for the current period;
- (4) Perform an analysis procedure to compare monthly revenue fluctuations and compare them with the previous year to determine if the trend of changes is normal;
- (5) Select a sample of the sales revenue of goods recorded for this year, check supporting documents such as sales contracts, sales outbound orders, transportation bills, customer receipts, sales invoices, etc., and evaluate whether the relevant revenue recognition complies with the accounting policy for revenue recognition;
- (6) Verify the authenticity and accuracy of revenue recognition through a letter of confirmation process that combines accounts receivable and operating income;
- (7) Check the bank receipt for large revenue recovery;
- (8) Select a sample of revenue transactions recorded before and after the balance sheet date, check the delivery note and other supporting documents, and evaluate whether the revenue is recorded in the appropriate accounting period;
- (9) Inspect whether the information related to the revenue has been appropriately presented and disclosed in the financial statements.

Based on the audit performed, we believe that the revenue recognition of Inspur Information Company complies with the provisions of the Accounting Standards for Business Enterprises.

(II) Inventory falling price reserves

1. Matter description

As stated in "8. Inventory of V. Notes to Main Items of Consolidated Financial Statements" in the report, as of December 31, 2023, Inspur Information Company had a book balance of RMB 19.96 billion in inventory, with falling price reserves of RMB 846 million and a book value of RMB 19.114 billion. The proportion of book value to total assets was 39.72%, which increased significantly compared to the end of 2022. The inventory of Inspur Information Company is measured at the lower of cost and net realizable value, and the net realizable value is determined by subtracting estimated sales expenses and relevant taxes and fees from the estimated selling price of the inventory. In the process of estimating selling price and sales expenses, Inspur Information Company needs to consider various factors such as estimated selling price and future market trends, and the asset impairment loss provisioned in the current period directly affects the current profit. Therefore, we consider it as a key audit matter.

2. Audit response

The important audit procedures we have implemented for inventory falling price reserves are as follows:

- (1) Understand the key internal controls related to inventory balance recognition and provision for falling price reserves by management, evaluate and test the effectiveness of their design and operation;
- (2) Implement monitoring procedures for inventories at the end of the period, and conduct on-site inspections of inventory quantity, storage status, etc;
- (3) Obtain the calculation sheet for inventory falling price reserves, review the recognition basis for net realizable value, and analyze whether the provision for inventory falling price reserves is sufficient;
- (4) Obtain an inventory aging list, conduct an analytical review of inventory falling price reserves with longer aging, and analyze whether the inventory falling price reserves are reasonable;
- (5) Conduct the sampling inspection of inventory sold after December 31, 2023, and compare the actual selling price of the sample with the estimated selling price.

Based on the audit performed, we believe that the management of Inspur Information Company's provision for inventory impairment is reasonable.

IV. Other Information

The management of Inspur Information Company is responsible for other information. Other information includes the information contained in the 2023 annual report of Inspur Information Company, but excludes financial statements and our audit report.

Our audit opinions on the financial statements do not cover other information, and we do not give any authentication conclusions about other information.

In combination with our audit of the financial statements, our responsibility is to read other information, and we shall, during this process, consider whether other information is materially inconsistent with the financial statements or the information we learned during the audit, or there are material misstatements.

Based on the work we have performed, we shall report if we recognize that other information is materially misstated. In this regard, we have nothing to be reported.

V. Responsibilities of Management and Governance for Financial Statements

The management of Inspur Information Company is responsible for preparing financial statements in accordance with provisions of Accounting Standards for Business Enterprises to realize a fair presentation of financial conditions, designing, implementing as well as maintaining necessary internal control to avoid the material misstatements in the financial statements due to frauds or errors.

During the preparation of financial statements, the management of Inspur Information Company is responsible for assessing going-concern ability of Inspur Information Company, disclosing matters related to going-concern (if applicable) and applying the going-concern assumption, unless the management is planning to liquidate Inspur Information Company and terminate operation, or has no other realistic choice.

The governance is responsible for overseeing the financial reporting process of Inspur Information Company.

VI. CPA's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement due to frauds or errors, and to issue an audit report containing our audit opinions. Reasonable assurance is a high level of assurance, but there is no guarantee that the audit carried out in accordance with auditing standards will always find material misstatements. Misstatement may be caused by frauds or errors. If it is reasonably expected that the misstatement, individually or collectively, may affect the economic decisions made by users of financial statements based on the financial statements, it is generally considered that the misstatement is material.

During the audit conducted in line with auditing standards, we shall adopt professional judgment and keep professional skepticism all the time. Meanwhile, we shall also execute the following tasks:

1. Identify and assess material misstatement risks caused by fraud or error of the financial statement, design and execute audit procedures to handle with these risks, and obtain adequate, proper audit evidence as the basis for stating audit opinions. The risk of not detecting a material misstatement resulting from frauds is higher than that resulting from errors, as frauds may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.
2. Learn about the audit-related internal control in order to design the appropriate audit procedures.
3. Evaluate the appropriateness of the accounting policies adopted by the management and the reasonableness of accounting estimate and related disclosure.
4. Draw a conclusion on the appropriateness of the management's use of going-concern assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about Inspur Information Company's ability to continue as a going-concern. If we come to the conclusion of the existence of material uncertainty, the auditing standards require us to remind the users of the statements to pay attention to related disclosure in the financial statements in the audit report; in the event that the disclosures are not sufficient, we shall publish a non-unqualified opinion. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may cause Inspur Information Company not being able to continue as a going-concern.
5. Evaluate the overall presentation, structure and content of financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding to Inspur Information Company's financial information of the entities or business activities in order to express the opinions on the financial statements. We are responsible for guiding, supervising and implementing the Group audit, and fully liable for audit opinions.

We have communicated with the governance about the planned audit scope, schedule, material audit findings, etc., including the noteworthy internal control deficiency identified during auditing.

We also provided statements to those in charge of the governance about applying professional ethics requirements in terms of independence, and made communication with the governance on all relationships and other matters that may reasonably be considered to affect our independence, and responsive precautionary measures (if applicable).

From the matters that we communicate with the governance, we determine which matters are most important for the audit of the current financial statements, and therefore constitute the key audit matters. We describe these matters in the audit report unless public disclosure of these matters is prohibited by laws and regulations or, in rare cases, we determine that these matters should not be communicated in the audit report if the negative consequences of communicating certain matters in audit report would reasonably be expected to surpass the benefit in the public interest.

(The text ends here)

Da Hua Certified Public Accountants (Special General
Partnership)

Chinese Certified Public Accountant: Yin Xianfeng

(Project Partner)

Beijing • China

Chinese Certified Public Accountant: Wang Kun

April 19, 2024

II. Financial Statements

The unit of the statements in the financial notes is: RMB

1. Consolidated balance sheet

Prepared by: Inspur Electronic Information Industry Co., Ltd.

December 31, 2023

Unit: RMB

Item	December 31, 2023	January 1, 2023
Current assets:		
Monetary capital	12,012,862,567.06	9,037,340,782.97
Settlement reserves		
Lending funds		
Trading financial assets	52,289,501.70	32,761,494.45
Derivative financial assets		
Notes receivable	508,409,757.75	74,613,121.71
Accounts receivable	9,110,557,328.16	11,099,729,974.76
Receivables financing	98,806,159.37	575,264,506.85
Advance payment	841,285,741.52	122,342,028.41
Premium receivable		
Reinsurance accounts receivable		
Reserves for reinsurance contract receivable		
Other receivables	65,238,433.58	80,313,219.88
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventory	19,114,569,324.91	15,024,922,771.00
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	2,614,698,281.84	1,624,783,923.05
Total current assets	44,418,717,095.89	37,672,071,823.08
Non-current assets:		
Loan granted and advances		
Creditor's right investment		
Other creditor's right investments		
Long-term receivables		
Long-term equity investment	412,326,773.86	360,126,122.18
Other equity instrument investments		
Other non-current financial assets		
Investment property	85,826,151.39	89,127,311.79
Fixed assets	2,044,929,753.35	1,226,158,546.75
Construction in progress	152,416,723.54	841,195,769.28
Productive biological assets		
Oil-gas assets		
Right-of-use assets	53,835,030.79	80,580,900.20

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Intangible assets	336,634,577.82	386,464,931.08
Development expenditure	104,920,523.25	
Goodwill	643,015.39	643,015.39
Long-term unamortized expenses	69,027,208.86	90,526,399.83
Deferred income tax assets	427,358,383.07	367,998,318.39
Other non-current assets	12,989,624.58	42,394,838.38
Total non-current assets	3,700,907,765.90	3,485,216,153.27
Total assets	48,119,624,861.79	41,157,287,976.35
Current liabilities:		
Short-term borrowings	2,051,618,888.91	4,954,374,375.02
Borrowings from the central bank		
Borrowing funds		
Trading financial liabilities	8,958,527.77	
Derivative financial liabilities		
Notes payable	2,714,475,714.18	1,201,414,222.43
Accounts payable	9,147,665,351.01	9,343,292,647.23
Advance receipt		
Contract liabilities	1,912,610,446.33	1,708,510,086.16
Financial assets sold for repurchase		
Deposits from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	908,802,934.02	601,333,277.87
Taxes payable	273,498,231.07	269,792,488.30
Other payables	267,032,141.40	193,948,770.03
Including: Interest payable		
Dividends payable		
Fees and commissions payable		
Reinsurance accounts payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	1,663,595,346.65	115,668,511.23
Other current liabilities	2,315,102,386.95	328,412,236.98
Total current liabilities	21,263,359,968.29	18,716,746,615.25
Non-current liabilities:		
Reserves for insurance contract		
Long-term borrowings	8,126,207,218.93	4,221,529,691.11
Bonds payables		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	24,949,313.08	56,364,540.35
Long-term payables	735,000.00	735,000.00
Long-term payroll payable		
Estimated liabilities	319,080,629.11	320,651,646.27
Deferred incomes	89,501,915.91	147,699,033.00
Deferred income tax liabilities	11,208,995.06	30,656,587.31

Other non-current liabilities		
Total non-current liabilities	8,571,683,072.09	4,777,636,498.04
Total liabilities	29,835,043,040.38	23,494,383,113.29
Owners' equities:		
Share capital	1,472,135,122.00	1,463,709,516.00
Other equity instruments		999,697,169.81
Including: Preferred shares		
Perpetual bonds		999,697,169.81
Capital reserves	6,822,428,774.61	6,728,154,211.46
Minus: Treasury shares		
Other comprehensive incomes	97,763,684.42	75,941,060.47
Special reserves		
Surplus reserves	736,306,205.35	732,093,402.35
General risk reserves		
Undistributed profits	8,818,041,146.29	7,309,025,034.04
Total owners' equities attributable to the parent company	17,946,674,932.67	17,308,620,394.13
Minority equity	337,906,888.74	354,284,468.93
Total owners' equities	18,284,581,821.41	17,662,904,863.06
Total liabilities and owners' equities	48,119,624,861.79	41,157,287,976.35

Legal representative: Peng Zhen Principal in charge of the accounting work: Hu Leijun Person in charge of accounting organization: Xu Yanyan

2. Balance sheet of parent company

Unit: RMB

Item	December 31, 2023	January 1, 2023
Current assets:		
Monetary capital	7,509,103,562.86	3,672,149,331.66
Trading financial assets	44,000,000.00	24,000,000.00
Derivative financial assets		
Notes receivable	508,409,757.75	74,342,371.71
Accounts receivable	15,754,180,188.66	15,932,761,244.55
Receivables financing	55,077,877.01	158,607,814.85
Advance payment	2,720,750,500.22	3,218,775,935.74
Other receivables	55,848,171.21	74,457,902.89
Including: Interest receivable		
Dividends receivable		
Inventory	10,695,257,247.50	7,551,486,973.68
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	1,413,155,521.05	730,312,745.10
Total current assets	38,755,782,826.26	31,436,894,320.18
Non-current assets:		
Creditor's right investment		
Other creditor's right investments		
Long-term receivables		
Long-term equity investment	3,007,263,131.63	2,940,391,972.56
Other equity instrument investments		
Other non-current financial assets		
Investment property		
Fixed assets	1,350,217,410.22	474,894,088.24
Construction in progress	56,007,677.69	827,503,888.76
Productive biological assets		
Oil-gas assets		
Right-of-use assets	3,110,351.36	10,485,008.90
Intangible assets	107,121,529.32	121,033,163.30
Development expenditure	104,920,523.25	
Goodwill		
Long-term unamortized expenses	29,340,034.44	31,622,270.07
Deferred income tax assets	317,960,233.88	233,999,030.51
Other non-current assets	8,259,663.66	18,475,345.66
Total non-current assets	4,984,200,555.45	4,658,404,768.00
Total assets	43,739,983,381.71	36,095,299,088.18
Current liabilities:		
Short-term borrowings	2,051,618,888.91	4,954,374,375.02
Trading financial liabilities	8,958,527.77	

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Derivative financial liabilities		
Notes payable	2,714,475,714.18	1,201,414,222.43
Accounts payable	9,359,647,199.41	6,989,348,959.08
Advance receipt		
Contract liabilities	1,184,267,059.19	598,423,402.60
Payroll payable	452,959,184.40	283,254,328.14
Taxes payable	64,963,098.31	50,158,765.99
Other payables	641,740,770.56	1,822,977,679.29
Including: Interest payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	1,637,009,552.92	96,078,718.80
Other current liabilities	2,308,355,979.86	254,405,458.64
Total current liabilities	20,423,995,975.51	16,250,435,909.99
Non-current liabilities:		
Long-term borrowings	7,819,000,000.00	4,038,197,819.45
Bonds payables		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	2,160,912.55	371,405.17
Long-term payables	735,000.00	735,000.00
Long-term payroll payable		
Estimated liabilities	319,080,629.11	320,651,646.27
Deferred incomes	68,090,143.67	102,765,014.61
Deferred income tax liabilities	466,552.71	1,572,751.34
Other non-current liabilities		
Total non-current liabilities	8,209,533,238.04	4,464,293,636.84
Total liabilities	28,633,529,213.55	20,714,729,546.83
Owners' equities:		
Share capital	1,472,135,122.00	1,463,709,516.00
Other equity instruments		999,697,169.81
Including: Preferred shares		
Perpetual bonds		999,697,169.81
Capital reserves	7,101,327,062.79	6,967,403,992.25
Minus: Treasury shares		
Other comprehensive incomes	18,034,531.08	18,034,531.08
Special reserves		
Surplus reserves	736,067,561.00	731,854,758.00
Undistributed profits	5,778,889,891.29	5,199,869,574.21
Total owners' equities	15,106,454,168.16	15,380,569,541.35
Total liabilities and owners' equities	43,739,983,381.71	36,095,299,088.18

3. Consolidated profit statement

Unit: RMB

Item	2023	2022
I. Total operating incomes	65,866,587,556.65	69,635,317,095.23
Including: Operating income	65,866,587,556.65	69,635,317,095.23
Interest income		
Earned premium		
Incomes from fees and commissions		
II. Total operating costs	64,496,974,414.67	67,488,685,383.48
Including: Operating cost	59,254,293,068.26	61,860,648,024.37
Interest expenditure		
Fee and commission expenses		
Surrender value		
Net amount of compensation payout		
Withdrawal of the company's net reserve fund for insurance contract		
Bond insurance expenses		
Reinsurance expenses		
Taxes and surcharges	154,006,894.23	105,073,144.72
Sales expenses	1,454,947,507.06	1,509,627,729.66
Management expenses	765,353,619.35	732,670,826.17
R&D expenses	3,071,020,483.24	3,197,415,424.34
Financial expenses	-202,647,157.47	83,250,234.22
Including: Interest expenses	83,357,515.20	361,944,723.03
Interest income	169,681,769.41	139,629,386.14
Plus: Other incomes	717,436,289.63	330,947,880.80
Return on investment (the loss is expressed with "-")	126,327,736.57	74,700,957.03
Including: Return on investment in associated enterprises and joint ventures	12,843,105.21	58,529,900.30
Income from derecognition of financial assets measured at the amortized cost		
Exchange gain (the loss is expressed with "-")		
Income from net exposure hedging (the loss is expressed with "-")		
Income from change in fair value (the loss is expressed with "-")	-9,399,769.08	8,388,352.17
Credit impairment loss (the loss is expressed with "-")	71,773,643.98	-3,673,479.83
Asset impairment loss (the loss is expressed with "-")	-449,765,802.79	-392,985,374.64
Income from asset disposal (the loss is expressed with "-")	-325,227.28	247,709.88

III. Operating profit (the loss is expressed with "-")	1,825,660,013.01	2,164,257,757.16
Plus: Non-operating income	4,892,474.36	7,019,200.25
Minus: Non-operating expenditure	3,630,804.91	3,070,361.67
IV. Total profits (the total losses are expressed with "-")	1,826,921,682.46	2,168,206,595.74
Minus: Income tax expenses	31,093,980.79	106,691,130.72
V. Net profit (the net loss is expressed with "-")	1,795,827,701.67	2,061,515,465.02
(I) Classification by business continuity		
1. Net profits from continuing operation (the net loss is expressed with "-")	1,795,827,701.67	2,061,515,465.02
2. Net profits from discontinuing operation (the net loss is expressed in with "-")		
(II) Classification by the attribution of the ownership		
1. Net profits attributable to the shareholders of the parent company	1,782,784,322.91	2,086,197,773.97
2. Minority shareholders' profit and loss	13,043,378.76	-24,682,308.95
VI. After-tax net amount of other comprehensive incomes	21,822,623.95	110,600,503.60
After-tax net amount of other comprehensive incomes attributable to the owners of the parent company	21,822,623.95	110,600,503.60
(I) Other comprehensive incomes that cannot be reclassified into profits and losses		
1. Re-measurement of changed amount in the defined benefit plan		
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of enterprise credit risk		
5. Others		

(II) Other comprehensive incomes that will be reclassified into profits and losses	21,822,623.95	110,600,503.60
1. Other comprehensive incomes that can be transferred into the profits and losses under the equity method		
2. Changes in fair value of other creditor's right investments		
3. Amounts of financial assets reclassified into other comprehensive incomes		
4. Credit impairment reserves of other creditor's right investments		
5. Cash flow hedging reserves		
6. Translation balance of foreign currency financial statements	21,822,623.95	110,600,503.60
7. Others		
After-tax net amount of other comprehensive incomes attributable to the minority shareholders		
VII. Total comprehensive incomes	1,817,650,325.62	2,172,115,968.62
Total comprehensive incomes attributable to the owners of the parent company	1,804,606,946.86	2,196,798,277.57
Total comprehensive incomes attributable to minority shareholders	13,043,378.76	-24,682,308.95
VIII. Earnings per share		
(I) Basic earnings per share	1.1804	1.3967
(II) Diluted earnings per share	1.1804	1.3934

As for the business combination under the same control in the current period, the net profit achieved by the combined party before the combination is: RMB -24,313,899.13; the net profit realized by the combined party in the previous period is: RMB 5,846,847.54.

Legal representative: Peng Zhen Principal in charge of the accounting work: Hu Leijun Person in charge of accounting organization: Xu Yanyan

4. Profit statement of parent company

Unit: RMB

Item	2023	2022
I. Operating income	58,171,371,106.04	71,135,337,206.38
Minus: Operating cost	54,018,843,157.21	65,449,211,046.28
Taxes and surcharges	78,709,660.28	46,460,265.10
Sales expenses	914,856,786.87	839,592,600.27
Management expenses	426,734,800.47	382,903,083.81
R&D expenses	2,379,392,162.53	2,559,730,872.28
Financial expenses	-102,380,453.27	221,770,893.21
Including: Interest expenses	81,525,690.52	389,522,857.08
Interest income	100,032,407.42	98,146,077.14
Plus: Other incomes	428,457,277.10	203,790,263.73
Return on investment (the loss is expressed with "-")	118,914,182.15	78,893,238.09
Including: Return on investment in associated enterprises and joint ventures	12,843,105.21	58,529,900.30
Income from derecognition of financial assets measured at the amortized cost (the loss is expressed with "-")		
Income from net exposure hedging (the loss is expressed with "-")		
Income from change in fair value (the loss is expressed with "-")	-8,958,527.77	
Credit impairment loss (the loss is expressed with "-")	99,845,576.52	125,369,104.11
Asset impairment loss (the loss is expressed with "-")	-327,615,247.20	-143,920,396.83
Income from asset disposal (the loss is expressed with "-")	-71,054.89	-22,091.30
II. Operating profit (the loss is expressed with "-")	765,787,197.86	1,899,778,563.23
Plus: Non-operating income	3,082,313.34	2,503,178.93
Minus: Non-operating expenditure	2,627,793.81	1,088,862.24
III. Total profits (the total losses are expressed with "-")	766,241,717.39	1,901,192,879.92
Minus: Income tax expenses	-86,546,810.35	60,013,279.38
IV. Net profit (the net loss is expressed with "-")	852,788,527.74	1,841,179,600.54
(I). Net profits from continuing operation (the net loss is expressed in with "-")	852,788,527.74	1,841,179,600.54
(II) Net profits from discontinuing operation (the net loss is expressed in with "-")		

V. After-tax net amount of other comprehensive incomes		
(I) Other comprehensive incomes that cannot be reclassified into profits and losses		
1. Re-measurement of changed amount in the defined benefit plan		
2. Other comprehensive incomes that cannot be transferred into the profits and losses under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of enterprise credit risk		
5. Others		
(II) Other comprehensive incomes that will be reclassified into profits and losses		
1. Other comprehensive incomes that can be transferred into the profits and losses under the equity method		
2. Changes in fair value of other creditor's right investments		
3. Amounts of financial assets reclassified into other comprehensive incomes		
4. Credit impairment reserves of other creditor's right investments		
5. Cash flow hedging reserves		
6. Translation balance of foreign currency financial statements		
7. Others		
VI. Total comprehensive incomes	852,788,527.74	1,841,179,600.54
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	2023	2022
I. Cash flow generated from operating activities:		
Cash received from sales of goods and provisions of labor services	81,092,518,927.03	78,243,905,181.79
Net increase of deposits from customers and other banks		
Net increase in borrowings from the central bank		
Net increase in borrowing funds from other financial institutions		
Cash received from the original insurance contract premium		
Net cash received from reinsurance premiums		
Net increase in policy holder deposits and investment funds		
Cash received from interests, fees and commissions		
Net increase in borrowing funds		
Net capital increase of repurchase business		
Net cash received from vicariously traded securities		
Refund of taxes and fees received	1,024,384,794.45	962,892,905.94
Other cash received related to operating activities	1,177,681,385.10	925,181,103.00
Subtotal of cash inflow from operating activities	83,294,585,106.58	80,131,979,190.73
Cash paid for purchasing goods and receiving labor services	76,696,861,616.49	71,744,502,519.75
Net increase in customer loans and advances		
Net increase of deposits in central bank and other banks		
Cash paid for indemnity of original insurance contract		
Net increase in lending funds		
Cash paid for interests, fees and commissions		
Cash paid for policy dividends		
Cash paid to and for employees	3,309,464,702.53	3,380,620,466.24
Various taxes and dues paid	698,283,724.37	1,045,800,002.18
Other cash paid related to operating activities	2,069,591,674.73	2,147,705,711.82
Subtotal of cash outflow from operating activities	82,774,201,718.12	78,318,628,699.99
Net cash flow generated from operating activities	520,383,388.46	1,813,350,490.74
II. Cash flow generated from investing activities:		
Cash received from withdrawing investment	143,530,657.03	2,600,000,000.00
Cash received from obtaining return on investment	4,280,517.64	22,060,900.75
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	17,059,516.12	3,995,293.84

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investing activities	6,600,000.00	
Subtotal of cash inflow from investing activities	171,470,690.79	2,626,056,194.59
Net cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	306,976,497.90	1,133,656,082.79
Cash paid for investment	101,000,000.00	2,224,000,000.00
Net increase in pledged loans		
Net cash paid for disposal of subsidiaries and other business units	14,005,100.00	
Other cash paid related to investing activities	334,868,180.94	
Subtotal of cash outflow from investing activities	756,849,778.84	3,357,656,082.79
Net cash flow generated from investing activities	-585,379,088.05	-731,599,888.20
III. Cash flow generated from financing activities:		
Cash received from attracting investment	133,208,830.86	157,913,536.86
Including: Cash received by subsidiaries from absorbing investments from minority shareholders		
Cash received from borrowings	17,006,018,914.44	23,177,457,056.15
Other cash received related to financing activities		
Subtotal of cash inflow from financing activities	17,139,227,745.30	23,335,370,593.01
Cash paid for repaying debts	12,465,924,213.47	21,995,832,325.25
Cash paid for the distribution of dividends, profits or repayment of interests	701,530,199.99	786,035,671.02
Including: Dividends and profits paid to minority shareholders by subsidiaries	1,053,096.55	24,743,979.76
Other cash paid related to financing activities	1,031,612,505.07	24,798,801.88
Subtotal of cash outflow from financing activities	14,199,066,918.53	22,806,666,798.15
Net cash flow generated from financing activities	2,940,160,826.77	528,703,794.86
IV. Effect of exchange rate fluctuation on cash and cash equivalents	34,405,522.84	131,719,573.42
V. Net increase in cash and cash equivalents	2,909,570,650.02	1,742,173,970.82
Plus: Balance of cash and cash equivalents at the beginning of the period	9,023,907,322.99	7,281,733,352.17
VI. Balance of cash and cash equivalents at the end of the period	11,933,477,973.01	9,023,907,322.99

6. Cash flow statement of parent company

Unit: RMB

Item	2023	2022
I. Cash flow generated from operating activities:		
Cash received from sales of goods and provisions of labor services	66,330,758,896.37	78,430,082,483.94
Refund of taxes and fees received	16,102,400.73	80,268,519.18
Other cash received related to operating activities	7,325,094,437.26	1,264,038,674.63
Subtotal of cash inflow from operating activities	73,671,955,734.36	79,774,389,677.75
Cash paid for purchasing goods and receiving labor services	64,993,061,492.25	75,207,337,861.35
Cash paid to and for employees	1,724,819,183.51	1,642,221,148.93
Various taxes and dues paid	112,939,887.26	436,246,495.57
Other cash paid related to operating activities	5,943,954,141.26	2,582,780,073.27
Subtotal of cash outflow from operating activities	72,774,774,704.28	79,868,585,579.12
Net cash flow generated from operating activities	897,181,030.08	-94,195,901.37
II. Cash flow generated from investing activities:		
Cash received from withdrawing investment	246,315,928.04	2,612,302,187.85
Cash received from obtaining return on investment	5,376,897.73	47,814,838.87
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,009.61	1,019,046.18
Net cash received from disposal of subsidiaries and other business units		
Other cash received related to investing activities		
Subtotal of cash inflow from investing activities	251,697,835.38	2,661,136,072.90
Net cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	110,575,909.22	900,051,719.08
Cash paid for investment	115,005,100.00	2,427,500,000.00
Net cash paid for disposal of subsidiaries and other business units		
Other cash paid related to investing activities	10,854,696.18	
Subtotal of cash outflow from investing activities	236,435,705.40	3,327,551,719.08
Net cash flow generated from investing activities	15,262,129.98	-666,415,646.18
III. Cash flow generated from financing activities:		
Cash received from attracting investment	133,208,830.86	157,913,536.86
Cash received from borrowings	16,494,911,111.11	22,700,000,000.00

Other cash received related to financing activities		
Subtotal of cash inflow from financing activities	16,628,119,941.97	22,857,913,536.86
Cash paid for repaying debts	12,068,000,000.00	21,552,349,713.75
Cash paid for the distribution of dividends, profits or repayment of interests	684,632,155.91	756,255,808.56
Other cash paid related to financing activities	1,009,304,295.64	12,623,807.73
Subtotal of cash outflow from financing activities	13,761,936,451.55	22,321,229,330.04
Net cash flow generated from financing activities	2,866,183,490.42	536,684,206.82
IV. Effect of exchange rate fluctuation on cash and cash equivalents	-9,280,212.48	-7,389,177.16
V Net increase in cash and cash equivalents	3,769,346,438.00	-231,316,517.89
Plus: Balance of cash and cash equivalents at the beginning of the period	3,665,372,538.35	3,896,689,056.24
VI. Balance of cash and cash equivalents at the end of the period	7,434,718,976.35	3,665,372,538.35

7. Consolidated statement of changes in owners' equities

Amount of the current period

Unit: RMB

Item	2023												Minority equity	Total owners' equities	
	Owners' equities attributable to the parent company														
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others			Subtotal
	Preferred shares	Perpetual bonds	Others												
I. Ending balance of the last year	1,463,709,516.00		999,697,169.81		6,728,154,211.46		75,941,060.47		732,093,402.35		7,309,025,034.04		17,308,620,394.13	354,284,468.93	17,662,904,863.06
Plus: Changes in accounting policies															
Early error correction													0.00		
Others													0.00		
II. Beginning balance of the current year	1,463,709,516.00		999,697,169.81		6,728,154,211.46		75,941,060.47		732,093,402.35		7,309,025,034.04		17,308,620,394.13	354,284,468.93	17,662,904,863.06
III. Increase/decrease amount of the current period (the decrease is expressed with "-")	8,425,606.00		999,697,169.81		94,274,563.15		21,822,623.95		4,212,803.00		1,509,016,112.25		638,054,538.54	16,377,580.19	621,676,958.35
(I) Total comprehensive incomes							21,822,623.9				1,782,784.32		1,804,606.94	13,043,378.7	1,817,650.32
							5				2.91		6.86	6	5.62
(II) Owner's capital input and reduction	8,425,606.00		999,697,169.81		96,773,024.86								894,498,538.95	28,367,862.39	922,866,401.34
1. Common shares contributed by owners	8,425,606.00				96,773,024.86								105,198,630.86		105,198,630.86
2. Capital invested by holders of other equity instruments			999,697,169.81										999,697,169.81		999,697,169.81
3. Amount of share-based payment included into owners' equities													0.00		
4. Others													0.00	28,367,862.39	28,367,862.39
(III) Profit distribution									4,212,803.00		273,768,210.66		269,555,407.66	1,053,096.56	270,608,504.22
1. Withdrawal of surplus reserves									4,212,803.00		4,212,803.00		0.00		
2. Withdrawal of general risk reserves													0.00		
3. Distribution to owners (or shareholders)											219,555,407.66		219,555,407.66	1,053,096.56	220,608,504.22
4. Others											50,000,000.00		50,000,000.00		50,000,000.00
(IV) Internal carry-over of owners' equities													0.00		
1. Increased capital (or share capital) transferred from capital reserves													0.00		

2. Increased capital (or share capital) transferred from surplus reserves													0.00		
3. Recovery of losses by surplus reserves													0.00		
4. Carry-over of retained earnings of changes in the defined benefit plan													0.00		
5. Carry-over of retained earnings by other comprehensive incomes													0.00		
6. Others													0.00		
(V) Special reserves													0.00		
1. Withdrawal in the current period													0.00		
2. Use in the current period													0.00		
(VI) Others				2,498,461.71									2,498,461.71		2,498,461.71
IV. Ending balance of the current period	1,472,135,122.00			6,822,428,774.61	97,763,684.42	736,306,205.35	8,818,041,146.29	17,946,674,932.67	337,906,888.74	18,284,581,821.41					

Amount of the last period

Unit: RMB

Item	2022												Minority equity	Total owners' equities	
	Owners' equities attributable to the parent company														
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others			Subtotal
I. Ending balance of the last year	1,453,721,310.00		999,697,169.81		6,548,512,035.69		34,137,448.58		565,764,689.46		5,628,296,600.21		15,161,854,356.59	403,726,611.40	15,565,580,967.99
Plus: Changes in accounting policies													0.00		
Early error correction													0.00		
Others					23,628,896.10		521,994.55				14,380,356.14		37,487,257.69		37,487,257.69
II. Beginning balance of the current year	1,453,721,310.00		999,697,169.81		6,572,140,931.79		34,659,443.13		565,764,689.46		5,642,676,956.35		15,199,341,614.28	403,726,611.40	15,603,068,225.68
III. Increase/decrease amount of the current period (the decrease is expressed with "-")	9,988,206.00				156,013,279.67		110,600,503.60		166,328,712.89		1,666,348,077.69		2,109,278,779.85	49,442,142.47	2,059,836,637.38
(I) Total comprehensive incomes							110,600,503.60				2,086,197,773.98		2,196,798,277.58	24,682,308.95	2,172,115,968.63
(II) Owner's capital input and reduction	9,988,206.00				155,452,213.00								165,440,419.00	15,853.76	165,424,565.24
1. Common shares contributed by owners	9,988,206.00				147,925,330.86								157,913,536.86		157,913,536.86
2. Capital invested by holders of other equity instruments													0.00		
3. Amount of share-based payment included into owners' equities					7,526,882.14								7,526,882.14		7,526,882.14
4. Others													0.00	15,853.76	15,853.76
(III) Profit distribution							166,328,712.89		419,849,696.29		253,520,983.40		24,743,979.76		278,264,963.16
1. Withdrawal of surplus reserves							166,328,712.89		166,328,712.89				0.00		
2. Withdrawal of general risk reserves													0.00		
3. Distribution to owners (or shareholders)									203,520,983.40		203,520,983.40		24,743,979.76		228,264,963.16
4. Others									50,000,000.00		50,000,000.00				50,000,000.00
(IV) Internal carry-over of owners' equities													0.00		
1. Increased capital (or share capital) transferred from capital reserves													0.00		
2. Increased capital (or share capital) transferred from surplus reserves													0.00		

3. Recovery of losses by surplus reserves							0.00		
4. Carry-over of retained earnings of changes in the defined benefit plan							0.00		
5. Carry-over of retained earnings by other comprehensive incomes							0.00		
6. Others							0.00		
(V) Special reserves							0.00		
1. Withdrawal in the current period							0.00		
2. Use in the current period							0.00		
(VI) Others			561,066.67				561,066.67		561,066.67
IV. Ending balance of the current period	1,463,709,516.00	999,697,169.81	6,728,154,211.46	75,941,060.47	732,093,402.35	7,309,025,034.04	17,308,620,394.13	354,284,468.93	17,662,904,863.06

8. Statement of changes in owners' equities of parent company

Amount of the current period

Unit: RMB

Item	2023											
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equities
		Preferred shares	Perpetual bonds	Others								
I. Ending balance of the last year	1,463,709,516.00		999,697,169.81		6,967,403,992.25		18,034,531.08		731,854,758.00	5,199,869,574.21		15,380,569,541.35
Plus: Changes in accounting policies												
Early error correction												
Others												
Beginning balance of the current year	1,463,709,516.00		999,697,169.81		6,967,403,992.2		18,034,531.08		731,854,758.00	5,199,869,574.21		15,380,569,541.35
III. Increase/decrease amount of the current period (the decrease is expressed with "-")	8,425,606.00		999,697,169.81		133,923,070.54				4,212,803.00	579,020,317.08		274,115,373.19
(I) Total comprehensive incomes										852,788,527.74		852,788,527.74
(II) Owner's capital input and reduction	8,425,606.00		999,697,169.81		123,808,394.77							867,463,169.04
1. Common shares contributed by owners	8,425,606.00				123,808,394.77							132,234,000.77
2. Capital invested by holders of other equity instruments			999,697,169.81									999,697,169.81
3. Amount of share-based payment included into owners' equities												
4. Others												

(III) Profit distribution								4,212,803.00	273,768,210.66		269,555,407.66
1. Withdrawal of surplus reserves								4,212,803.00	4,212,803.00		0.00
2. Distribution to owners (or shareholders)									219,555,407.66		219,555,407.66
3. Others									50,000,000.00		50,000,000.00
(IV) Internal carry-over of owners' equities											
1. Increased capital (or share capital) transferred from capital reserves											
2. Increased capital (or share capital) transferred from surplus reserves											
3. Recovery of losses by surplus reserves											
4. Carry-over of retained earnings of changes in the defined benefit plan											
5. Carry-over of retained earnings by other comprehensive incomes											
6. Others											
(V) Special reserves											
1. Withdrawal in the current period											
2. Use in the current period											
(VI) Others											10,114,675.77
IV. Ending balance of the current period	1,472,135,122.00			7,101,327,062.79		18,034,531.08		736,067,561.00	5,778,889,891.29		15,106,454,168.16

Amount of the last period

Unit: RMB

Item	2022											
	Share capital	Other equity instruments			Capital reserves	Minus: Treasury shares	Other comprehensive incomes	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equities
		Preferred shares	Perpetual bonds	Others								
Ending balance of the last year	1,453,721,310.00		999,697,169.81		6,811,390,712.58		18,034,531.08		562,476,098.78	3,781,589,616.29		13,626,909,438.54
Plus: Changes in accounting policies												
Early error correction												
Others												
II. Beginning balance of the current year	1,453,721,310.00		999,697,169.81		6,811,390,712.58		18,034,531.08		562,476,098.78	3,781,589,616.29		13,626,909,438.54
Increase/decrease amount of the current period (the decrease is expressed with "-")	9,988,206.00				156,013,279.67				169,378,659.22	1,418,279,957.92		1,753,660,102.81
(I) Total comprehensive incomes										1,841,179,600.54		1,841,179,600.54
(II) Owner's capital input and reduction	9,988,206.00				155,452,213.00							165,440,419.00
1. Common shares contributed by owners	9,988,206.00				147,925,330.86							157,913,536.86
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment included into owners' equities					7,526,882.14							7,526,882.14
4. Others												

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

(III) Profit distribution							169,378,659.22	422,899,642.62	253,520,983.40
1. Withdrawal of surplus reserves							169,378,659.22	169,378,659.22	
2. Distribution to owners (or shareholders)								203,520,983.40	203,520,983.40
3. Others								-50,000,000.00	-50,000,000.00
(IV) Internal carry-over of owners' equities									
1. Increased capital (or share capital) transferred from capital reserves									
2. Increased capital (or share capital) transferred from surplus reserves									
3. Recovery of losses by surplus reserves									
4. Carry-over of retained earnings of changes in the defined benefit plan									
5. Carry-over of retained earnings by other comprehensive incomes									
6. Others									
(V) Special reserves									
1. Withdrawal in the current period									
2. Use in the current period									
(VI) Others				561,066.67					561,066.67
IV. Ending balance of the current period	1,463,709,516.00	999,697,169.81	6,967,403,992.25	18,034,531.08	731,854,758.00	5,199,869,574.21	15,380,569,541.35		

III. Company Profile

(I) Registered address, organization form and headquarters address of the Company

Registered address: East side of Floor 9, No. 801, Caoshanling South Road, High-tech Zone, Jinan City

Organization form: Limited liability company

Headquarters address: East side of Floor 9, No. 801, Caoshanling South Road, High-tech Zone, Jinan City

Registered capital: RMB 1,472,135,122.00

Social credit code: 91370000ro6266601D

Legal representative: Peng Zhen

Controlling shareholder or actual controller: During the reporting period, there was no change in the controlling shareholder or actual controller of the Company

(II) Nature of the company business and main operating activities

The Company belongs to the computer, communication, and other electronic equipment manufacturing industry, and the main products and services include the manufacturing and sales of computer software, hardware, and peripheral equipment; manufacturing and sales of Internet equipment; manufacturing and sales of communication equipment; manufacturing and sales of cloud computing equipment; information technology consulting services; network technology services; manufacturing and sales of information security equipment.

(III) Consolidated financial statement scope

There were 42 subsidiaries incorporated into the consolidation scope of the Company. Refer to Note X. Equity in Other Entities for details. Compared to the previous period, the number of entities included in the scope of consolidated financial statements in the current period increased by 8 and decreased by 4. For specific information on the entities subject to changes in the consolidation scope, refer to Note IX. Changes in the Consolidation Scope.

(IV) Approval and report of the financial statements

The financial statement has been approved by the Board of Directors of the Company on April 19, 2024.

IV. Preparation Basis of the Financial Statements**1. Preparation basis**

On the basis of actually occurring transaction and matters, the Company conducts recognition and measurement in accordance with *Accounting Standards for Business Enterprises - Basic Standard* issued by the Ministry of Finance and specific Accounting Standards for Business Enterprises, guidelines for application of Accounting Standards for Business Enterprises, explanation of Accounting Standards for Business Enterprises and other related regulations (hereinafter referred to "Accounting Standards for Business Enterprises"), besides, the Company prepares the financial statements by combining with the China Securities Regulatory Commission's *Disclosure of Company Information Disclosure Rules No. 15. - General Provisions on Financial Reporting* (revised in 2023), on the basis of foregoing regulation.

2. Going-concern

The going-concern ability of the Company within 12 months from the end of the reporting period was evaluated, and no matter or condition that causes significant suspect on the going concern ability was found. Therefore, the financial statements were prepared based on the going-concern assumption.

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policy and accounting estimate prompt:

1. The Company determines specific accounting policies and estimates based on the characteristics of production and operation, mainly reflected in the valuation method of inventory, the method of bad-debt reserves for accounts receivable, depreciation of fixed assets and amortization of intangible assets, measurement model of investment property, and recognition time of revenue.

2. The Company will conduct continuous assessments on the adopted significant accounting estimates and critical assumptions according to previous experience and other factors, including reasonable prediction of matters in the future.

1. Declaration of complying with Accounting Standards for Business Enterprises

The Company's financial statements are prepared in accordance with the Accounting Standards for Business Enterprises, and indicate the relevant information such as Company's financial conditions, operating results and cash flow in the reporting period truly and completely.

2. Accounting period

The fiscal year ranges from January 1 to December 31 under the Gregorian calendar.

3. Operating cycle

The operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents of the Company. The Company takes 12 months as an operating cycle, and uses it as a standard for classifying the liquidity of assets and liabilities.

4. Recording currency

RMB is adopted as the recording currency.

Overseas subsidiaries take the currency-dollar in the economic environment in which it runs the business as recording currency and converts this currency into RMB when preparing financial statement.

5. Method for determining importance criteria and selection criteria

Applicable Not applicable

Item	Importance criteria
Accounts receivable with significant single amount and separately withdrawn bad-debt reserves	Amount \geq RMB 10,000,000
Other receivables with significant single amount and separately withdrawn bad-debt reserves	Amount \geq RMB 10,000,000
Important construction in progress	Amount \geq RMB 4,000,000

6. Accounting treatment methods for business combination under the same control and not under the same control

1. When the disposal of the clause, condition and the economic impact of each transaction for achievement of the business combination step by step is subject to one or more of the following conditions, it is necessary to conduct accounting treatment by taking the multiple transactions as a package deal

- (1) These transactions are made at the same time or made in the case of considering mutual influence;
- (2) A complete business result can be reached only when these transactions are as a whole;
- (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) One transaction is not economical individually, but when being considered together with other transactions, it is economical.

2. Business combination under the same control

The enterprises participating in the combination are ultimately controlled by the same party or the same parties before and after the combination, and the control is not temporary, which is a business combination under the same control.

The assets and liabilities of the Company acquired in the business combination are measured by the book value of the combined party's assets and liabilities (including goodwill arising out of the ultimate controlling party's acquisition of the combined party) reflected in ultimate controlling party's consolidated financial statements on the combination date. Adjust share capital premium of the capital reserves based on the difference between the book value of net asset obtained in the combination and that of the paid combination consideration (or total face value of issued share); if the capital reserves in the share capital premium are insufficient to offset, the retained earnings will be adjusted.

If there are contingent consideration and the estimated liabilities or asset needs to be recognized, the difference between the estimated liability or asset amount and the subsequent contingent consideration settlement amount, it is necessary to adjust the capital reserves (capital premium or share capital premium), if the capital reserves are insufficient, it is necessary to adjust the retained earnings.

For the business combination that is finally realized through multiple transactions, which belongs to a package deal, the transactions shall be treated as a transaction to acquire control right; for those not belonging to package deals, the capital reserves shall be adjusted on the day acquiring control right based on the balance between the initial investment cost of long-term equity investment and the book value of long-term equity investments before combination plus the book value of newly-paid consideration of shares further acquired on the combination date; if the capital reserves are insufficient to make offset, the retained earnings shall be adjusted. Equity investment held before the combination date and other comprehensive incomes which are checked by using equity method or which are checked and recognized through recognition and measurement standard of financial instruments shall not conduct accounting treatment until adopting the same basis with the investee who directly disposes relevant assets or liabilities for accounting treatment when disposing the investment; other changes of owners' equities except net profits and losses, other comprehensive incomes and profit distribution in net assets of the investee which is checked and recognized by using the equity method shall not conduct accounting treatment temporarily until transferring into the current profits and losses when disposing the investment.

3. Business combination not under the same control

If the enterprises involved in the combination are not ultimately controlled by the same party or the same parties before and after the combination, they are business combination not under the same control.

On the acquisition date, the Company shall measure the assets and liabilities incurred or assumed as the consideration for the business combination according to the fair value, and the difference between the fair value and the book value shall be included into the current profits and losses.

Where the business combination cost is larger than the difference of fair value shares of the acquiree's net identifiable assets during the combination, it shall be recognized as goodwill; if the combination cost is lower than the fair value share of the acquiree's identifiable net assets obtained during combination, the measurement of all identifiable assets, liabilities or fair value of contingent liabilities obtained from the acquiree as well as the combination costs shall be re-checked firstly. If the combination cost is still lower than the fair value share of the acquiree's identifiable net assets obtained during combination, the difference shall be included into the current profits and losses.

If the business combination not under the same control is realized step by step through multiple exchange transactions and belongs to a package deal, the transactions shall be treated as a transaction for which control right is acquired; In case of not belonging to package deal, if the equity investment held before the combination date is accounted with equity method, the sum of book value of equity investment for the acquiree before acquisition date and the newly-added investment cost on acquisition date is deemed as the initial investment cost for the investment. The equity investment held before acquisition date is included into other comprehensive incomes upon accounting with equity method will be disposed with the same method as disposing the relevant assets or liabilities exerted by the investee. If the equity investment held before the combination date is checked and recognized through recognition and measurement standard of financial instruments, the sum of fair value on the combination date and the newly-added investment cost is deemed as the initial investment cost on the combination date. The difference between the fair value and book value of the original holding equity and the accumulated fair value change originally included in other comprehensive incomes shall be transferred to the return on investment of the current period on the combination date.

4. Relevant expenses incurred from combination

Intermediary fees such as auditing, legal services, evaluation and consultation and other directly related fees incurred in the business combination shall be included into the current profits and losses when incurred; the transaction expenses of issuing equity securities for the purpose of a combination may be directly attributable to the business combination and deducted from the equity.

7. Judgment criteria for control and preparation methods for consolidated financial statements

1. Judgment criteria for control

Control means that the investor may control an investee and may participate in relevant activities of the investee to enjoy variable return and also is able to use the right for the investee to influence its amount of returns.

The Company judges whether the investee is controlled based on the comprehensive consideration of all related facts and conditions. The Company will make evaluation again as long as the changing facts and conditions have changed the factors as defined by the foregoing control. The relevant facts and circumstances mainly include:

- (1) Purpose of establishment of the investee.
- (2) Relevant activities of the investee and how to make decisions regarding these activities.
- (3) Does the rights enjoyed by the investor currently enable them to lead the relevant activities of the investee?
- (4) Does the investor enjoy variable returns by participating in related activities of the investee?
- (5) Whether the investor has the ability to exercise the power over the investee to affect its return amount.

(6) Relationship between the investor and other parties.

2. Consolidation scope

The consolidation scope of the Company's consolidated financial statements is determined on a control basis and all subsidiaries (including the separate entities controlled by the Company) are included in the consolidated financial statements.

3. Combination procedures

The Company prepares consolidated financial statements based on the financial statements of the company and its subsidiaries and other relevant information. The Company prepares the consolidated financial statements by treating the whole conglomerate as the accounting subject and presenting overall financial conditions, operating results and cash flows of the conglomerate in accordance with the relevant requirements for recognition, measurement and reporting in the Accounting Standards for Business Enterprises and its centralized accounting policy.

The accounting policies and accounting periods adopted by all the subsidiaries included in the consolidated financial statements are consistent with those of the Company. If the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with those of the Company, necessary adjustments shall be made in accordance with the Company's accounting policies and accounting periods when preparing the consolidated financial statements.

The consolidated financial statements shall offset the effect of internal transactions between the Company and each subsidiary and each subsidiary on the consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equities. If the consolidated financial statement of the conglomerate is different from the recognition of the same transaction with the Company or its subsidiaries as the accounting body, the transaction shall be adjusted from the perspective of the conglomerate.

The owners' equities of the subsidiary, the current net profits and losses and the shares belonging to minority shareholders in the current comprehensive income are separately presented under the owners' equities item in the consolidated balance sheet, the net profit item in the consolidated profit statement and the total comprehensive incomes item. If the current loss shared by the minority of the subsidiary's shareholders has surpassed the amount that the minority shareholder shared among all the subsidiary owner's share, the balance shall still offset the minority equity.

For the subsidiaries acquired through the business combination under the same control, the financial statements shall be adjusted on the basis of the book value of the assets and liabilities (including the goodwill formed by the acquisition of the subsidiary by the ultimate controlling party) in the financial statements of the ultimate controlling party.

As for the subsidiaries which are obtained by the business combination not under the same control, the financial statements will be adjusted on the basis of the fair values of the identifiable net assets on the acquisition date.

(1) Increase of subsidiaries or businesses

During the reporting period, if the subsidiary or business is increased due to the business combination under the same control, the opening balance of the consolidated balance sheet shall be adjusted and merged; the revenues, expenses and profits of the subsidiary or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated profit statement; the cash flows of the subsidiary or business from the beginning of the current consolidation period to the end of the reporting period shall be included in the consolidated cash flow statement, and relevant items in the comparative statement shall be adjusted. The consolidated report subject shall be deemed as existing from the time when the ultimate controlling party starts its control.

If the ultimate controlling party can implement the control on the investee under the same control due to adding investment and other reasons, it shall be deemed that the parties participating in the consolidation conduct adjustments at the current status when the ultimate controlling party starts to control. After relevant profits or losses, other comprehensive incomes and other net asset changes have been recognized during the period from the time when the original equity is acquired or the day when the combining party and combined party are under the same control (whenever later) to the combination date, and shall be offset against the initial retained earnings or current profits and losses.

During the reporting period, if the subsidiary or business is increased due to the business combination not under the same control, the opening balance of the consolidated balance sheet shall not be adjusted and merged; the revenues, expenses and profits of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated profit statement; the cash flows of the subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated cash flow statement.

In case that the control can be applied to the investee under different control due to additional investment and other reasons, the held equities of the acquiree before acquisition date will be re-measured as per its fair values on the acquisition date by the Company, then, the difference between the fair values and book values will be included in the current return on investment. Other comprehensive incomes of the acquiree which are held and related to the accounting under equity method before acquisition date, the changes in other owner's equities except for net profits and losses, other comprehensive incomes and profit distribution, as well as the related other comprehensive incomes and other owner's equities shall be transferred into the return on investment in this term on the acquisition date, except for other comprehensive incomes which are generated by the changes in the liabilities or net assets due to the investee's re-measurement and resetting of defined benefit plan.

(2) Disposal of subsidiaries or businesses

1) General disposal method

If the Company disposes its subsidiaries or businesses in the reporting period, the revenue, expenses, and profits of the subsidiaries from the beginning of the business period to the disposal date shall be included into the consolidated profit statement; the cash flows of the subsidiary or business from the beginning of the period to the disposal date shall be included in the consolidated cash flow statement.

In case of losing the control right on the investee due to disposal of partial equity investment or other reasons, the disposed residual equity investment shall be re-measured by the Company as per the fair values on the day losing the control right. The difference between the consideration obtained from the disposal of equity and the fair value of the remaining equity, minus the share of net assets of the original subsidiary that should have been continuously calculated from the acquisition date or combination date based on the original shareholding ratio, and the sum of goodwill, is recognized as return on investment in the current period when losing the control right. Other comprehensive incomes related to the equity investment in the original subsidiaries or other changes in owner's equities except for net profits and losses, other comprehensive incomes and profit distribution shall be transferred to current return on investment when the control right is lost, except for other comprehensive incomes resulting from changes in net liabilities or net assets for the investee's re-measurement and resetting of the defined benefit plan.

2) Step-by-step disposal of subsidiaries

If the equity investment in a subsidiary is disposed of step by step through multiple transactions until the loss of control right, and the terms, conditions, and economic impact of the disposal of the equity investment in the subsidiary meet one or more of the following conditions, it usually indicates that the multiple transaction items should be treated as a package transaction for accounting treatment:

- A. These transactions are made at the same time or made in the case of considering mutual influence;
- B. A complete business result can be reached only when these transactions are as a whole;
- C. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- D. One transaction is not economical individually, but when being considered together with other transactions, it is economical.

When the transaction which is disposed for the equity investment of the subsidiaries until losing control right is considered to be the package deal, the Company shall make the accounting treatment by considering various transactions as one transaction related to subsidiary disposal and losing the control right; however, the balance between the disposal price and the subsidiaries' net asset shares enjoyed corresponding to disposing investment before losing control right shall be recognized as other comprehensive incomes in the consolidated financial statements, which will be transferred into the current profits and losses of the period when losing the control right.

When the transactions for the equity investment of the subsidiaries until loss of control right are not considered to be the package deal, before the control right is lost, the accounting treatment shall be applied according to the related policies to the part of the disposal of the equity investment of the subsidiaries when the Company has not lost the control right; During the loss of control right, the accounting treatment shall be applied according to the general treatment method of the subsidiaries.

(3) Purchase of minority equity of subsidiaries

The Company calculates the net asset share difference which shall be enjoyed by the subsidiaries since the acquisition date (or combination date) according to the long-term equity investment and newly-increased shareholding ratio due to the purchase of minority equity, then, adjust the share capital premium about the capital reserves in the consolidated balance sheet. If the share capital premium in the capital reserves is insufficient to offset, the retained earnings shall be adjusted.

(4) Partial disposal of equity investments in subsidiaries without losing control right

Without losing the control right, concerning the balance between disposal cost acquired for partial disposal of long-term equity investment of the subsidiaries and share of net assets of the subsidiaries corresponding to disposal of long-term equity investment calculated in the sustainable way from the acquisition date or combination date, share capital premium in capital reserves shall be adjusted and combined to the consolidated balance sheet. In case that the share capital premium in capital reserves is insufficient in offset, the retained earnings shall be adjusted.

8. Classification of joint-operation arrangement and accounting treatment method of joint management**1. Classification of joint-operation arrangement**

The Company divides the joint-operation arrangement into joint management and joint venture according to the structure and legal form of joint-operation arrangement, the articles specified in joint-operation arrangement and other relevant facts and conditions. The joint management refers to the joint-operation arrangement that the joint ventures enjoy the related assets and undertakes the related liabilities in such arrangement. Joint venture refers to the joint-operation arrangement that the joint venturer only has the right of net assets in such arrangement.

2. Accounting treatment method of joint management

The Company recognizes the following items related to the interest shares in the joint management and should conduct accounting treatment in accordance with the provisions of relevant Accounting Standards for Business Enterprises:

- (1) Recognize the assets held independently and jointly owned assets in proportion to the share;
- (2) Recognize the liabilities held independently and jointly in proportion to the share;
- (3) Recognize the revenue from selling the output shares involved in joint management expenses;
- (4) Recognize the revenue generated from the joint management due to sales as per the share of the Company;
- (5) Recognize the expenses incurred independently and incurred by the joint management as per the share of the Company.

9. Determination criteria of cash and cash equivalents

In the preparation of the cash flow statement, the cash on hand of the Company and the deposits that can be used for payment at any time shall be recognized as cash, and the investments that meet the four conditions of short term (due within three months from the acquisition date), strong fluidity, easy conversion to known cash and low risk of value changes shall be determined as cash equivalents.

10. Translation of foreign currency transaction and foreign currency financial statements**1. Foreign currency transaction**

At the initial recognition, the foreign currency transactions take the spot rate on the date of transaction occurrence as conversion exchange rate, accounting in RMB.

On the balance sheet date, the foreign currency monetary items shall be converted according to the spot exchange rate. The resulting exchange difference of foreign currency loan related to the acquisition of assets complying with capitalization conditions shall be subject to the principle of loan cost capitalization. While, all other exchange differences shall be included into the current profits and losses. Foreign currency non-monetary items measured at historical cost are still converted at the spot exchange rate on the date of transaction, and the amount in recording currency does not change.

For foreign currency non-monetary items measured at fair value, spot exchange rate on the fair value determination day will be used for conversion. The difference between the converted recording currency amount and the original recording currency amount shall be taken as the fair value fluctuation (including exchange rate fluctuation) and included into the current profits and losses or other comprehensive incomes.

2. Translation of foreign currency financial statements

The assets and liabilities in the balance sheet shall be translated at the spot exchange rate on the balance sheet date; Except for the "undistributed profits" item, other items of the owner's equities shall be converted at the spot exchange rate at the time of occurrence. The revenue and expense items in the profit statement shall be converted by adopting the approximate exchange rate of spot exchange rate on the transaction date. The converted difference of foreign currency financial statements arising from the above conversion shall be included into other comprehensive incomes.

When disposing of overseas operations, the converted difference in foreign currency financial statements related to the overseas operations presented in "other comprehensive incomes" item in the balance sheet shall be transferred from "other comprehensive incomes" items to current profits and losses; if the proportion of overseas operation interests held is reduced due to the disposal of part of the equity investment or other reasons, but the control right for overseas operation remains, the translation balance of foreign currency statements related to the disposal part of the overseas operation will be attributed to minority equity and will not be transferred to the current profits and losses. When disposing part of the equity of an overseas operation as associated enterprise or joint venture, the translation balance of foreign currency statements related to the overseas operation shall be transferred to the profits and losses of disposal period in accordance with the proportion of disposing the overseas operation.

11. Financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

The effective interest method refers to the method of calculating the amortized cost of financial assets or financial liabilities and apportioning interest incomes or interest expenses into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of the financial assets or the financial liabilities in the estimated duration into the book balance of the financial assets or amortized cost of the financial liabilities. When determining the effective interest rate, the expected cash flow is estimated on the basis of considering all the contractual terms of the financial assets or financial liabilities (such as prepayment, extension, call option and other similar options), but the expected credit loss is not considered.

The amortized cost of financial assets or financial liabilities is the accumulated amortization amount formed by the initial recognition amount of the financial assets or financial liabilities deducting the paid principal, plus or minus the accumulated amortization amount formed by the amortization of the difference between the initially recognized amount and the amount on the maturity date by using the effective interest method, and then deducting the accumulated accrued loss reserves (only applicable to financial assets).

1. Classification, recognition and measurement of the financial assets

In accordance with the business model of financial asset managed and contractual cash flow characteristics of financial assets, the Company divides the financial assets into the following three categories: a) Financial assets measured at the amortized cost.

(2) Financial assets measured at the fair value with the changes included into other comprehensive incomes.

(3) Financial assets measured at the fair value with the changes included into the current profits and losses.

The financial assets will be measured at fair value during initial recognition. However, in case the accounts receivable or notes receivable from the sales of goods or service provision does not contain significant financial compositions or no consideration on the financial composition within one year, the financial assets will be initially measured according to the transaction price.

For financial assets measured at the fair value with the changes included into the current profits and losses, relevant transaction expenses shall be included into current profits and losses directly; for other financial assets or financial liabilities, relevant transaction expenses shall be included into the initial recognition amount.

The subsequent measurement of the financial assets depends on their classification, and all affected related financial assets shall be reclassified only when the Company changes its business model of managing financial assets.

(1) Financial assets measured at the amortized cost

The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and interest based on the amount of the outstanding principal, and the business model of the Company to manage the financial assets is to collect contractual cash flow as the goal, then the Company classifies the financial assets as financial assets measured at the amortized cost. Financial assets measured at the amortized cost classified by the Company includes monetary capitals, notes receivable, accounts receivable, other receivables, creditor's right investments, and long-term receivables.

The Company recognizes interest income for such financial assets using the effective interest method and subsequently measures them at amortized cost. Gains or losses arising from impairment or derecognition and modification are recognized in the current profits and losses. The Company determines interest incomes by multiplying the book balance of financial assets by the effective interest rate except for the following circumstances:

1) For purchased or sourced financial assets with credit impairment, the Company determines its interest incomes based on the amortized costs of the financial assets and the effective interest rate adjusted for credit from the initial recognition.

2) For purchased or sourced financial assets whose credit has not been impaired but has credit impairment in the subsequent period, the company shall determine its interest incomes according to the amortized costs and effective interest rate of the financial assets in the subsequent period. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, the Company shall calculate and determine the interest incomes by multiplying the effective interest rate by the book balance of the financial asset.

(2) Financial assets measured at the fair value with the changes included into other comprehensive incomes

The contract terms of financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and interest based on the amount of the outstanding principal, and the business model of the Company to manage the financial assets is to collect contractual cash flow and sell the financial assets as the goal, then the Company classifies the financial assets as financial assets measured at the fair value with the changes included into other comprehensive incomes.

The Company recognizes interest incomes for such financial assets by means of the effective interest method. The interest income, impairment loss and exchange difference are recognized as current profits and losses, and other changes in fair value shall be included into other comprehensive incomes. At the time of derecognition of such financial assets, the accumulated gain or loss included into other comprehensive incomes before will be transferred from other comprehensive incomes and included into the current profits and losses.

The notes receivable and accounts receivable measured at the fair value with the changes included into other comprehensive incomes after changes are reported as receivables financing, while other such financial assets are reported as other creditor's right investments, wherein: other creditor's right investments that shall be mature within one year from the balance sheet date are reported as non-current assets that shall be mature within one year, while other creditor's right investments that shall be originally mature within one year are reported as other current assets.

(3) Financial assets measured at the fair value with the changes included into other comprehensive incomes

Upon initial recognition, the Company can irrevocably designate non-trading equity instruments as financial assets measured at the fair value with the changes included into other comprehensive incomes based on individual financial assets.

The fair value changes of such financial assets are recognized in other comprehensive incomes and no provision for impairment is required. Upon derecognition of the financial assets, the accumulated gains or losses previously included into other comprehensive incomes are transferred from other comprehensive incomes and included into the retained earnings. The right to receive dividends in the Company has been established during the period when the Company holds the equity instrument investment, and the economic benefits related to the dividends are likely to flow into the Company, and the dividend revenues is recognized and included into the current profits and losses when the amount of the dividends can be reliably measured. The Company reports such financial assets under "other equity instrument investments" item.

Equity instrument investments that meet one of the following conditions belong to financial assets measured at the fair value with the changes included into the current profits and losses: the purpose of obtaining such financial assets is mainly to sell them out in the recent period; upon initial recognition of relevant financial assets, the financial assets form a part of an identifiable financial instrument portfolio under centralized management, and objective evidences show that there is a short-term profit model in relation thereto. Belong to derivative instruments (except for those that meet the definition of financial guarantee contract and are designated as effective hedging instruments).

(4) Classified as financial assets measured at the fair value with the changes included into the current profits and losses

Financial assets that do not meet the criteria for classification as financial assets measured at the amortized cost or fair value with the changes included into other comprehensive incomes, and are not designated as financial assets measured at the fair value with the changes included into other comprehensive incomes are all classified as financial assets measured at the fair value with the changes included into the current profits and losses.

The Company adopts the fair value to subsequently measure such financial assets, and the profits or losses formed by change of fair value and the dividends and interest incomes related to the financial assets are included into the current profits and losses.

The Company presents such financial assets in the items of trading financial assets and other non-current financial assets according to their liquidity.

(5) Financial assets measured at the fair value with the changes included into the current profits and losses

At initial recognition, in order to eliminate or reduce significantly accounting mismatches, the Company can irrevocably designate the financial assets measured at the fair value with the changes included into the current profits and losses on the basis of individual financial assets.

If a mixed contract contains one or multiple embedded derivative instruments and its main contract doesn't belong to the above financial assets, the Company can designate it as a whole as financial instruments measured at the fair value with its changes included into the current profits and losses. However, except for the following situations:

- 1) Embedded derivative instruments will not significantly change the cash flow of mixed contracts.
- 2) When determining whether similar mixed contracts need to be split for the first time, it can be made clear without analysis that the embedded derivative instruments contained in them should not be split. For example, the prepayment option for embedded loans allows the holder to repay the loan in advance with an amount close to that of amortized cost, and the prepayment option does not need to be split.

The Company adopts the fair value to subsequently measure such financial assets, and the profits or losses formed by change of fair value and the dividends and interest incomes related to the financial assets are included into the current profits and losses.

The Company presents such financial assets in the items of trading financial assets and other non-current financial assets according to their liquidity.

2. Classification, recognition and measurement of financial liabilities

The Company classifies financial instruments or its components into financial liabilities or equity instruments during the initial recognition in accordance with contract terms of the issued financial instruments and reflected economic essence in legal forms and others, in combination with definitions of financial liabilities and equity instruments. At initial recognition, the financial liabilities are classified as: financial liabilities measured at the fair value with the changes included into the current profits and losses, other financial liabilities, and derivative instruments that are designated as effective hedging instruments.

Financial liabilities should be measured at the fair value at the initial recognition. For financial liabilities measured at the fair value with the changes included into the current profits and losses, the related transaction expenses shall be directly included into the current profits and losses; for other types of financial assets, the related transaction expenses are included into the initial recognition amount.

Subsequent measurement of financial liabilities depends on its classification:

(1) Financial liabilities measured at the fair value with the changes included into the current profits and losses

The financial liabilities include trading financial liabilities (including the derivative instruments belonging to financial liabilities) and those designated as financial liabilities measured at the fair value with the changes included into the current profits and losses at the time of initial recognition.

If one of the following conditions is met, they belong to trading financial liabilities: the purpose of obtaining the financial liabilities is to sell or purchase them in the recent period; belong to part of the identifiable portfolio of financial instruments under centralized management, and there is objective evidence that the company recently adopted a short-term profit model; belong to derivative instruments, except for derivatives that are designated as effective hedging instruments and derivatives that comply with financial guarantee contracts. Trading financial liabilities (including derivative instruments belonging to financial liabilities) is subject to subsequent measurement as per fair value. Except for being related to hedge accounting, the changes in fair value are included into the current profits and losses.

At initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities measured at the fair value with the changes included into the current profits and losses:

1) Be able to eliminate or significantly reduce accounting mismatches.

2) According to the enterprise risk management or investment strategy stated in the formal written documents, the fair value-based financial liability portfolio or financial asset and liability portfolio shall be used for management and performance evaluation, and the report shall be made to key management personnel within the Company on this basis.

This Company adopts the fair value for subsequent measurement of such financial liabilities. Except for that changes in fair value caused by changes in the Company's own credit risk are included in other comprehensive incomes, other changes in fair value are included into the current profits and losses. If changes in fair value caused by changes in the Company's own credit risk are included in other comprehensive incomes, which will cause or expand the accounting mismatch in profits and losses, the Company will account for all changes in fair value (including the impact amount of its own credit risk changes) into the current profits and losses.

(2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured in amortized cost, which shall be measured by the effective interest method and subsequently according to amortized cost. Gains or losses arising from derecognition or amortization are included into the current profits and losses.

1) Financial liabilities measured at the fair value with the changes included into the current profits and losses.

2) The transfer of financial assets does not meet the conditions of derecognition or continues to involve in the financial liabilities formed by the transferred financial assets.

3) Financial guarantee contracts that do not belong to the first two situations of this article, and loan commitments that do not belong into the first situation of this article and borrowed at a rate lower than market interest rate.

A financial guarantee contract refers to a contract that requires the issuer to compensate the contract holder who has suffered losses for a specific amount when a specific debtor is unable to repay the debt according to the original or modified terms of the debt instrument upon maturity.

Financial guarantee contracts that are not designated as financial liabilities measured at the fair value with the changes included into the current profits and losses, after initial recognition, are measured according to the higher of the loss reserve amount and the initial recognition amount after deducting the accumulated amortization amount during the guarantee period.

3. Derecognition of financial assets and liabilities

(1) If a financial asset meets one of the following conditions, it will be derecognized, that is, it will be written off from its account and balance sheet:

- 1) The contractual rights which will charge the financial assets' cash flow are terminated;
- 2) The financial asset has been transferred, and the transfer meets the provisions for derecognition of financial assets.

(2) Derecognition condition of financial liabilities

If the current obligation of financial liabilities (or partial financial liabilities) is terminated, derecognition of such financial liabilities (or partial financial liabilities) is conducted by the Company.

This Company signed an agreement with the lender to replace the original financial liabilities by undertaking new financial liabilities. If the contract terms of the new financial liabilities are substantially different from those of the original financial liabilities, or the contract terms of the original financial liabilities (or part of them) are substantially modified, the recognition of the original financial liabilities will be derecognized and a new financial liability will be recognized at the same time. The difference between the book value and the consideration paid (including the transferred non-cash assets or liabilities undertaken) is included into the current profits and losses.

If the Company repurchases a part of financial liabilities, the book value of the whole financial liabilities shall be distributed according to the proportion of the respective fair values of the continued recognition part and the derecognition part to the overall fair value on the repurchase date. The difference between the derecognized book value and the considerations paid (including the non-cash assets transferred out and the liabilities) shall be included into the current profits and losses.

4. Recognition basis and measurement method for transfer of financial assets

The Company will assess the extent to which it retains the risks and rewards of ownership of a financial asset when a financial asset transfer occurs and will treat each case separately as follows:

- (1) Where almost all risks and rewards about the financial asset ownership are transferred, the financial asset shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities.
- (2) If almost all risks and rewards about the ownership of financial assets have been reserved, such financial assets shall be constantly recognized.
- (3) Where substantially all the risks and rewards about the financial asset ownership are neither transferred nor reserved (i.e., in circumstances other than (1) and (2) of this article), the following circumstances shall be treated separately, depending on whether it retains control over the financial asset:
 - 1) For those not retaining the control of the financial asset, the financial assets shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities;
 - 2) For those retaining the control of the financial assets, relevant financial assets shall be recognized as per the degree of continued involvement of transferred financial assets, and relevant liabilities shall be correspondingly recognized. The degree to which the transferred financial assets continue to be involved refers to the degree of the change risks or remuneration of transferred financial assets borne by Company.

The Company follows the principle of essence outweighing form when judging whether the transfer of financial assets meet the derecognition conditions of the above financial assets. The Company differentiates the transfer of financial assets into overall transfer and partial transfer.

(1) For the overall transfer of the financial assets that satisfies the conditions for derecognition, the balance between the amounts of the following two amounts shall be included into the current profits and losses:

- 1) Book value of transferred financial assets on the derecognition date.
- 2) Sum of consideration received for transferring financial assets and the amount of the corresponding derecognition part in the accumulated amount of changes in fair value originally and directly included in other comprehensive incomes (the financial assets involved in transfer refer to financial assets measured at the fair value with the changes included into other comprehensive incomes).

(2) If part of the financial assets is transferred and the transferred part meets the derecognition condition as a whole, then the book value of the overall financial assets prior to the transfer shall be apportioned between the derecognition part and further recognition part (in such case, the retained service asset shall be deemed as a part of the further recognized financial assets) as per their respective relative fair value on the date of transfer, and the difference between the following two amounts is included into the current profits and losses:

- 1) Book value of the derecognition part on derecognition date.
- 2) Sum of consideration received for derecognition part and the amount of the corresponding derecognition part in the accumulated amount of changes in fair value originally and directly included in other comprehensive incomes (the financial assets involved in transfer refer to financial assets measured at the fair value with the changes included into other comprehensive incomes).

In case that the transfer of financial assets does not satisfy the derecognition conditions, they shall continue to be recognized. The received consideration shall be recognized as one financial liability.

5. Determination method of the fair values of financial assets and liabilities

The fair value of financial assets or financial liabilities with an active market shall be determined by the quotation of the active market, unless the financial assets had a sales restriction period for themselves. The fair value of financial assets that are restricted for sales shall be recognized based on the quoted price in the active market after deducting the amount of compensation required by market participants for the risk that the financial assets cannot be sold on the open market within a specified period. The quotation of active market includes the quotations of assets or liabilities that are readily and regularly accessible from exchanges, traders, brokers, industry groups, pricing agencies or regulatory agencies, and fairly represent the market transactions actually and frequently carried out on the basis of fair trade.

Initially obtained or derived financial assets or financial liabilities take market transaction price as the basis to recognize their fair value.

For financial assets and financial liabilities without active market, their fair value shall be determined through valuation techniques. In valuation, the Company adopts applicable valuation techniques supported by sufficient utilizable data and other information in current circumstances, selects input values consistent with asset or liability features considered in relevant assets or liabilities transactions of market participators and prioritizes the applying relevant observable input values. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

6. Financial instrument impairment

The Company provides impairment accounting treatment and recognizes loss reserves for financial assets measured at the amortized cost, financial assets measured at the fair value with the changes included into other comprehensive incomes, and contract assets, based on expected credit losses.

Expected credit losses refer to the weighted average of credit losses of financial instruments weighed by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted as per the original effective interest rate and receivable from the contract and all cash flows expected to be received by the Company, namely, the present value of a shortage of cash. Wherein, the purchased or sourced financial assets with credit impairment of the Company shall be discounted as per actual interest rate based on credit adjustment.

For the purchased or sourced financial assets with credit impairment, only the cumulative changes in expected credit losses are recognized as loss reserves during the entire duration after the initial recognition on the balance sheet date. On each balance sheet date, the amount of changes in expected credit losses during the entire duration should be included into the current profits and losses as impairment losses or gains. Even if the expected credit losses for the entire duration recognized on the balance sheet date are less than the amount of those reflected in the estimated cash flows during initial recognition, the favorable changes in expected credit losses are also recognized as impairment profits.

For financial assets other than those measured by the simplified measurement method and purchased or sourced financial assets with credit impairment, on each balance sheet date, the Company recognizes whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition was assessed, and the corresponding loss reserves and the expected credit losses and their changes in accordance with the following circumstances:

- (1) If the credit risk of the financial instruments has not increased significantly since their initial recognition and the financial instruments are in the first stage, their loss reserves were measured according to the amount equivalent to the expected credit losses of the financial instruments in the next 12 months, and the interest incomes were calculated on the basis of book balance and effective interest rate.
- (2) If the credit risk of the financial instruments has not increased significantly since their initial recognition but the credit impairment has not been occurred, and the financial instruments are in the second stage, their loss reserves were measured according to the amount equivalent to the expected credit losses of the financial instruments in the whole duration, and the interest incomes were calculated on the basis of book balance and effective interest rate.

(3) If credit impairment of the financial instruments occurs after the initial recognition and the financial instruments are in the third stage, their loss reserves shall be measured according to the amount of expected credit losses of the financial instruments in the whole period, and the interest incomes shall be calculated on the basis of amortized cost and effective interest rate by the Company.

The increased or reversed amount of credit loss reserves of financial instruments were included into the current profits and losses as impairment losses or profits. Except for financial assets measured at the fair value with the changes included into other comprehensive incomes, the credit loss reserves were used to offset against the book balance of financial assets. For financial assets measured at the fair value with the changes included into other comprehensive incomes, the Company recognizes its credit loss reserves in other comprehensive incomes, and does not reduce the book value of the financial assets presented in the balance sheet.

The Company has measured the loss reserves in the previous accounting period according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration. However, on the current balance sheet date, if the financial instrument no longer belongs to the situation of significant increase in credit risk after initial recognition, the Company shall, on the balance sheet date of the current period, measure the loss reserves according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, the reversed amount of the loss reserves thus formed is included into the current profits and losses as the impairment gains.

(1) Significant increase of credit risks

The Company determined whether the credit risks of financial instruments increased significantly since initial recognition by using available reasonable and well-founded prospective information, and by comparing the risk of default on the balance sheet date of financial instruments with the risk of default on the date of initial recognition. For financial guarantee contracts, when the Company applied the provisions on impairment of financial instruments, the date on which the Company became the party making the irrevocable undertaking was as the initial recognition date.

The Company considers the following factors when assessing whether the credit risks increase significantly:

- 1) Whether the debtor's operating results actually or will obviously change;
- 2) Whether the significant adverse change happens to the regulatory, economic, or technological environment where the debtor is;
- 3) Whether the value of the collateral used as debt collateral or the guarantee provided by a third party or the quality of credit enhancement has changed significantly, which are expected to reduce the debtor's economic motivation to repay the loan within the contract period or affect the probability of default;
- 4) Whether the debtor's expected performance and repayment behavior obviously change;
- 5) Whether the company's credit management methods for financial instruments have changed, etc.

If the Company determined that the financial instruments have only a relatively low credit risk on the balance sheet date, the Company assumed that the credit risk of the financial instruments did not increase significantly since the initial recognition. If the default risk of financial instruments is low and the borrower's ability of performing its contractual cash flow obligations within a short time is very strong which is necessarily reduced even though the adverse change of economic situation and business environment exists over a long period, this financial instrument will be deemed as with low credit risk.

(2) Financial assets with credit impairment having occurred

When one or several events with adverse effect on the expected future cash flow of the financial assets occur, such financial assets will become those with credit impairment. The evidences showing that the credit impairment of financial assets has occurred include the following observable circumstances:

- 1) Major financial difficulty occurs to the issuer or the debtor;
- 2) The debtor breaches any of the contract, for example, fails or delays paying interests and principal, etc.;
- 3) The creditor gives the debtor concessions that it won't make under any other circumstances in consideration of the economy or contract relating to debtor's financial difficulties;
- 4) The debtor is likely to go bankrupt or carries out other financial restructuring;
- 5) The active market of such financial assets disappears due to the financial difficulty of the issuer or the debtor;
- 6) Such discount reflects the fact that the credit loss has happened when a financial asset is purchased based on a big discount or originated.

The credit impairment of financial assets may be caused by the joint action of multiple events, not necessarily by a separately identifiable event.

(3) Determination of the expected credit losses

The Company evaluates the expected credit loss of financial instruments based on individual items and combinations, and considers reasonable and well-founded information about past events, current situation and future economic situation when evaluating the expected credit loss.

Financial instruments of the Company were divided into different categories based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: financial instrument type, credit risk rating, aging combination, overdue aging combination, contract settlement cycle, debtor's industry, etc. The individual evaluation criteria and portfolio credit risk characteristics of relevant financial instruments are detailed in the accounting policies of relevant financial instruments.

The Company determines the expected credit loss of relevant financial instruments according to the following methods:

- 1) For financial assets, credit loss is the present value of the difference between the contractual cash flow that the Company should receive and the expected cash flow to receive.
- 2) For lease receivables, credit loss is the present value of the difference between the contractual cash flow that the Company should receive and the expected cash flow to receive.
- 3) For a financial guarantee contract, the credit loss is the present value of the difference between the Company's expected payment to compensate the contract holder for the credit loss incurred, subtracting the amount expected to be collected by the Company from the contract holder, the debtor or any other party.
- 4) For financial assets with credit impairment on the balance sheet date but are not purchased or sourced, the credit loss is the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original effective interest rate.

Factors reflected in the Company's method measuring expected credit losses on financial instruments include: unbiased probability weighted average amount determined by evaluating a series of possible outcomes; the time value of money, and reasonable and well-founded information about past events, current conditions, and forecasts of future economic conditions that can be obtained without unnecessary additional costs or efforts on the balance sheet date.

(4) Write-down of financial assets

If the Company does not reasonably expect the contractual cash flow of financial assets can be taken back in whole or in part any more, the book balance of such financial assets was directly written down. Such write-down constituted the derecognition of related financial assets.

7. Offset of financial assets and liabilities

The financial assets and liabilities are presented in the balance sheet respectively and not offset with each other. However, if the following conditions are met simultaneously, the net amount after offsetting is presented in the balance sheet:

- (1) where the Company has a statutory right to offset the recognized amount and such a statutory right is executable at present;
- (2) Where the Company plans to settle with net amount or cash the financial assets and liquidate the financial liabilities.

12. Notes receivable

Refer to Note (11) 6. Financial Instrument Impairment for the determination method and accounting treatment method of the Company's expected credit loss of notes receivable.

When it is impossible to assess sufficient evidence of expected credit loss at a reasonable cost at the level of a single instrument, the Company refers to the historical credit loss experience and combines the current situation and the judgment of future economic situation. In accordance with the credit risk characteristics, notes receivable are divided into several combinations, and the expected credit loss is calculated on the basis of the combinations. Basis for determining portfolios:

Portfolio name	Basis for portfolio determination	Calculation and withdrawal method
Bank acceptance bills	The acceptor had a high credit rating, no bill defaults in history, extremely low risk of credit loss, and strong ability to fulfill the contractual cash flow payment obligations in the short term.	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, calculate the expected credit losses through the exposure at default and the expected credit loss rate within the whole duration
Commercial acceptance bills	The credit rating of the acceptor is much lower than that of the bank, and there is a high risk of bill default and credit loss. The ability to fulfill its contractual cash flow obligations in the short term is relatively weak	Accounting estimate policy for bad-debt reserves based on expected credit losses of accounts receivable

13. Accounts receivable

Refer to Note (11) 6. Financial Instrument Impairment for the determination method and accounting treatment method of the Company's expected credit loss of accounts receivable.

For accounts receivable with significantly different credit risks and combined credit risks, the Company provides expected credit losses on a single basis. The Company separately determines the credit loss of accounts receivable for which there is sufficient evidence to assess the expected credit loss at a reasonable cost at the individual instrument level.

When it is impossible to assess sufficient evidence of expected credit loss at a reasonable cost at the level of a single instrument, the Company refers to the historical credit loss experience and combines the current situation and the judgment of future economic situation. In accordance with the credit risk characteristics, accounts receivable are divided into several combinations, and the expected credit loss is calculated on the basis of the combinations. Basis for determining portfolios:

Portfolio name	Basis for portfolio determination	Calculation and withdrawal method
Credit risk characteristic portfolio	This portfolio adopts the account age of receivables as the credit risk characteristics	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, calculate the expected credit losses through the exposure at default and the expected credit loss rate within the whole duration

14. Receivables financing

The notes receivable and accounts receivable measured at the fair value with the changes included into other comprehensive incomes are presented as receivables financing with a term of less than one year (including one year) from the initial recognition date; and it is presented as other creditor's right investments with a term of more than one year (including one year) from initial recognition date.

Refer to Note (11) 6. Financial Instrument Impairment for the determination method and accounting treatment method of the Company's expected credit loss of receivables financing.

15. Other receivables

Refer to Note (11) 6. Financial Instrument Impairment for the determination method and accounting treatment method of the Company's expected credit loss of other receivables.

When it is impossible to assess sufficient evidence of expected credit loss at a reasonable cost at the level of a single instrument, the Company refers to the historical credit loss experience and combines the current situation and the judgment of future economic situation. In accordance with the credit risk characteristics, other receivables are divided into several combinations, and the expected credit loss is calculated on the basis of the combinations.

Basis for determining portfolios:

Portfolio name	Basis for portfolio determination	Calculation and withdrawal method
Credit risk characteristic portfolio	The portfolio is the receivables such as various deposits, advance payments and quality deposits that should be collected in daily activities.	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, calculate the expected credit losses through the exposure at default and the expected credit loss rate in the next 12 months

16. Contract assets

The right to receive consideration from customers that is owned and unconditional (namely, dependent only on the passage of time) is presented by the Company as a receivable. Rights to receive consideration for goods that have been transferred to the customer and that are dependent on factors other than the passage of time are presented as contract assets. If the Company sells two clearly distinguishable products to a customer, and thus has the right to collect the payment for the product that has been delivered to the customer, but the payment collection is dependent on the delivery of the other product, the Company will consider the payment collection right as a contract asset.

For the notes receivable, accounts receivable, contract assets and receivables financing formed by daily operating activities such as sales of goods and provision of labor services, the Company measures loss reserves based on expected credit losses throughout the duration regardless of whether there is a significant financing component.

17. Inventory**1. Inventory category, valuation method for inventory delivered, inventory system, amortization method for low-value consumables and packaging materials**

(1) Inventory category

Inventories include finished goods or goods for sale in daily activities, products in progress in the manufacturing process, and materials and supplies consumed in the process of work-in-process or providing labor services, etc. held by the Company. It mainly includes raw materials, products in progress, finished goods (inventory goods), etc.

(2) Valuation method for inventory delivered

Inventories are initially measured at actual cost when obtaining. The costs of inventories contain purchase cost, processing costs and other costs. When the inventory is shipped, it is valued by the moving weighted average method.

(3) Inventory system

The inventory system is a perpetual inventory system.

(4) Amortization method for low-value consumables and packaging materials

- 1) The low-value consumables adopt one-off write-off method for amortization.
- 2) Packaging materials adopt one-off write-off method for amortization.
- 3) Other turnover materials adopt one-off write-off method for amortization.

2. Recognition standards and calculation and withdrawal method of inventory falling price reserves

At the end of the term, the inventory falling price reserves should be determined or adjusted according to the comparison of inventory cost and the net realizable value after a thorough reviewing of the inventory. For the goods inventory that can be directly used for sales, such as finished goods, goods in stock and the materials for sales during the normal production and operation process, the net realizable value shall be determined by deducting the estimated selling expenses and relevant taxes and fees from the estimated selling price of the inventory. For materials inventory needing to be processed, during the normal process of production and management, the net realizable value shall be determined by deducting the estimated costs occurring during the completion, the estimated selling expenses and relevant taxes and fees from the estimated sale price of the finished goods. As for the inventory held for performance of sales contract or labor contract, its net realizable value will be calculated based on the contract price. In case that the quantity of inventory is larger than the quantity ordered in sales contract, the net realizable value of additional inventory shall be calculated based on general selling price.

The inventory falling price reserves will be withdrawn based on single inventory item; for an inventory of large volume and low unit price, the inventory falling price reserves shall be withdrawn based on their categories; for inventory which is related to the product series in the same area, has the same or similar end use or purpose, and is difficult to be separately measured from other items, the inventory falling price reserves shall be consolidated and withdrawn.

If the factors causing any depreciation of inventory value have disappeared, the amount of depreciated inventory value shall be resumed and reversed from the inventory falling price reserves that has been made. The reversed amount shall be included into the current profits and losses.

18. Creditor's right investment

Refer to Note (11) 6. Financial Instrument Impairment for the determination method and accounting treatment method of the Company's expected credit loss of creditor's right investment.

19. Other creditor's right investments

Refer to Note (11) 6. Financial Instrument Impairment for the determination method and accounting treatment method of the Company's expected credit loss of other creditor's right investments.

20. Long-term receivables

Refer to Note (11) 6. Financial Instrument Impairment for the determination method and accounting treatment method of the Company's expected credit loss of long-term receivables.

21. Long-term equity investment**1. Recognition of initial investment costs**

- (1) For the specific accounting policies for long-term equity investment generated from the business combination, refer to Note (6) Accounting Treatment Method of Business Combination under the Same Control and Business Combination Not under the Same Control.
- (2) Long-term equity investment obtained through other means

For long-term equity investment obtained by payment in cash, its purchase cost which is actually paid shall be used as the initial investment cost. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments.

The initial investment cost of long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued; transaction expenses generated in releasing or obtaining their equity instruments can be directly deducted from equity in equity transactions.

On the premise that the fair value of non-monetary asset exchange with the commercial essence and swap-in asset or swap-out asset can be reliably calculated, initial investment cost of long-term equity investment swapped in from non-monetary asset exchange is recognized based on the fair value of swap-out assets, unless otherwise there is unambiguous evidence proving that the fair value of swap-in asset is more reliable; if the non-monetary asset exchange fails to meet above-mentioned conditions, the book value of swap-out assets and relevant taxes and fees payable are deemed as the initial investment cost of swap-in long-term equity investments.

For the long-term equity investment obtained from the debt restructuring, the initial investment costs shall be determined on the basis of fair value.

2. Subsequent measurement and recognition of profits and losses

(1) Cost method

The long-term equity investment controlled by the investee may be accounted with cost method or priced based on the initial investment cost by the Company. The cost of long-term equity investment may be adjusted by adding or recovering investment.

The Company shall recognize the current return on investment according to the share of the cash dividends or profits announced by the investee, except the cost paid when the investment is obtained or the announced cash dividends or profits included in the consideration which is not issued.

(2) Equity method

Equity method shall be used in the calculation of the long-term equity investment of associated enterprises and joint ventures by the Company; Parts of associated enterprise equity investments held by venture capital institutions, mutual funds, trust companies or bodies similar to unit-linked insurance fund shall adopt fair value to measure and include the changes into profits and losses.

If the initial investment cost of long-term equity investment is more than the attributable share of the fair value of the investee's identifiable net assets at the time of the investment, the initial investment cost of the long-term equity investment shall be not adjusted; When the initial investment cost is less than the investment, the Company shall enjoy the balance of the fair value shares of net identifiable assets net identifiable assets of the investee, which can be included into the current profits and losses.

After obtaining the long-term equity investment, the Company recognizes the return on investment and other comprehensive incomes separately based on the share of net profit and loss and other comprehensive incomes realized by the investee that should be enjoyed or shared, and adjusts the book value of the long-term equity investment accordingly; the Company will accordingly reduce the book value of the long-term equity investment in terms of the due part calculated according to the profit or cash dividend declared by the investee to be distributed; for the changes of owners' equities of the investee other than the net profits and losses, other comprehensive incomes and profit distribution, the book value of long-term equity investment shall be adjusted and included in the owners' equities.

The Company shall, on the basis of the fair value of all identifiable assets of the investees when it obtains the investment, recognize the attributable share of the net profits and losses of the investees after it adjusts the net profits of the investee. That is to calculate and offset profits and losses of unrealized internal transactions between the Company and their joint ventures and associated enterprise that belong to the Company, on which profits and losses of the investment are recognized.

When recognizing losses to be shares of the investee, the Company shall treat as per the following procedures: firstly, offset the book value of the long-term equity investment. Secondly, when the book value of the long-term equity investment is insufficient to offset, the investment loss shall be continuously recognized with the book value of the long-term equity of the net investment of the investee and the book value of the long-term receivables shall be reduced. Finally, upon the above treatment, for the enterprises that need to assume additional obligations according to the investment contract or agreement, its estimated liabilities shall be recognized according to the expected obligations assumed, which shall be included in the current investment losses.

If the investee gain profits later, the Company will firstly deduct the unidentified loss contribution, and then follow the above procedures in reverse order, writing down the book balance of the estimated liabilities, recovering other book value of long-term interests and equity investment of the investee's net investment substantially, and recognizing the return on investment.

3. Conversion of accounting methods for long-term equity investment

(1) Conversion of fair value measurement to equity method accounting

As for the equity investment held by the Company without control, joint control or significant influence on the investee and conducting accounting treatment according to financial instrument recognition and measurement regulations, if it may exert significance impact or joint control (without control) on the investee due to increased investment, the fair value of original equity investment (established in accordance with *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*) and added investment cost will be regarded as initial investment cost accounted based on equity method.

As for the balance between initial investment cost measured with equity method and fair value of net identifiable assets (on addition date) determined based on the new shareholding ratio after additional investment shared by the investee, adjust the book value of long-term equity investment and include into current non-operating income.

(2) Conversion of fair value measurement or equity method accounting to cost method accounting:

As for the equity investment held by the Company without control, joint control or significant influence on the investee and conducting accounting treatment according to financial instrument recognition and measurement regulations, or as for the long-term equity investment of associated enterprise and joint venture held by the Company, if it may exert significance or joint control (without common control) on the investee due to increased investment, the book value of original equity investment plus additional investment will be regarded as initial investment cost accounted with cost method accounting while preparing individual financial statement.

The equity investment held before acquisition date is included into other comprehensive incomes upon accounting with equity method will be disposed with the same method as disposing the relevant assets or liabilities exerted by the investee.

If the equity investment held before the acquisition date is disposed according to the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, the changes in accumulated fair value originally included into other comprehensive incomes will be transferred into current profits and losses upon accounting with the cost method.

(3) Conversion of equity method accounting to fair value measurement

If the Company loses joint control or significant influence on the investee due to disposing part of equity investment, the residual equity will be measured according to *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. The balance between fair value and book value will be included into the current profits and losses on the date losing joint control or significant influence.

Other comprehensive incomes recognized for the original equity investment due to the use of equity method accounting shall be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the investee when the equity method accounting is terminated.

(4) Conversion of cost method to equity method

If the Company loses control to the investee due to disposing equity part of investment, and the residual equity may exert joint control or significance on the investee while preparing individual financial statement, it will be measured and adjusted with equity method.

(5) Conversion of cost method to fair value measurement

If the Company loses control to the investee due to disposing part of equity investment, and the residual equity may not exert joint control or significant influence on the investee while preparing individual financial statement, the accounting treatment will be conducted in accordance with *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. The balance between fair value and book value will be included into the current profits and losses on the date losing control.

4. Disposal of long-term equity investments

When disposing of a long-term equity investment, the balance between its book value and the actual acquisition price shall be included into the current profits and losses. In case that the long-term equity investment is calculated with equity method, the same basis applied by the investee for directly handling with relevant assets and liabilities shall be used to handle the investment, and the accounting treatment shall be conducted for the part originally included in other comprehensive incomes at the corresponding proportion.

If the terms, conditions, and economic impact of various transactions related to the disposal of equity investments in subsidiaries meet one or more of the following conditions, multiple transactions shall be treated as a package deal for accounting treatment:

- (1) These transactions are made at the same time or made in the case of considering mutual influence;
- (2) A complete business result can be reached only when these transactions are as a whole;

- (3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- (4) One transaction is not economical individually, but when being considered together with other transactions, it is economical.

Because of the disposal of part of the equity investment or other reasons, the Company loses its control right over the original subsidiary; a distinction shall be made between individual financial statement and the consolidated financial statement to conduct the accounting treatment for the non-package deal.

(1) In individual financial statement, the balance between book value and actual price will be included into the current profits and losses as for the disposal of equity. In case of disposed residual equity with joint control and significant influence on the investee, calculate with equity method, and adjust the residual equity with equity method since the time of obtaining; in case of the disposed residual equity being not able to jointly control or have a significant influence on the investee, the accounting treatment shall be conducted according to relevant regulations in *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, and the balance between the fair value on the date losing control and book value shall be included into the current profits and losses.

(2) In the consolidated financial statement, for the balance between each transaction, disposal price and disposed long-term equity investment before losing control right to subsidiary and the corresponding net asset share calculated since the acquisition date or combination date, it is necessary to adjust capital reserves (share capital premium), and adjust retained earnings for those capital reserves insufficient for offset;

in case of losing control right to subsidiary, it is necessary to re-measure residual equity according to fair value on the date of losing control right. The difference between the consideration obtained from the disposal of equity and the fair value of the remaining equity, minus the share of net assets of the original subsidiary that should have been continuously calculated from the acquisition date based on the original shareholding ratio, and the sum of goodwill, is recognized as return on investment in the current period when losing the control right. Other comprehensive incomes associated with the equity investment of the original subsidiaries shall be converted into current return on investment when losing the control right.

If the transaction disposing subsidiary equity investment until losing the control right belongs to package deal, the transaction will conduct accounting treatment as a transaction disposing subsidiary equity investment and losing control. Accounting treatment will be conducted separately on individual financial statement and consolidated financial statement.

(1) In individual financial statements, before losing the control right, the balance between the treatment price and the book value of long-term equity investment corresponding to the disposed equity will be recognized as other comprehensive incomes, which will be transferred to current profits and losses upon losing the control right.

(2) In consolidated financial statements, before losing the control right, the balance between the disposal price and the net asset share of the subsidiary corresponding to the disposal investment is recognized as other comprehensive incomes, and is transferred to the current profits and losses upon losing the control right.

5. Judgment criteria for joint control and significant influence

If the Company controls certain arrangement together with other participators as agreed and makes arrangement for the activity decision with significant influence, the decision may exist upon consent of participators sharing control rights. It will be deemed as the Company controlling the arrangement with other participators. The arrangement refers to the joint-operation arrangement.

If a joint-operation arrangement is reached by an independent entity and the Company is entitled to the net assets of the independent entity as agreed, the independent entity will be regarded as joint venture and be accounted with equity method. If the Company is not entitled to the net assets of the independent entity, the independent entity will be regarded as the joint management. The Company recognizes the items related to joint management share and conducts accounting treatment in accordance with *Accounting Standards for Business Enterprises*.

Significant influence refers to the investor's power to participate in the decision-making of the financial and operating policies of the investee, but it cannot control or jointly control the formulation of these policies with other parties. The Company exerts the significant influence on the investee by means of one or several circumstances as follows and upon considering all facts and conditions: (1) Appoint representatives in the Board of Directors or equivalent authorities of the investee; (2) Participate in making financial and operation policy for the investee; (3) Conduct important deals with the investee; (4) Dispatch administrative staff to the investee; (5) Provide key technical data for investee.

22. Investment property

Investment property measurement model	Cost method measurement	Depreciation or amortization method
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The investment property means the real estate held for rent or capital gain, or both, including the use right of land already leased, the land use right held for transfer after appreciation, and the buildings already leased. In addition, for vacant buildings of the Company for leasing, if the Board of Directors makes written decisions to specify for leasing and there will be no change within the short period, it shall be presented as investment property.

The Company's investment property will be accounted based on the cost. The cost of outsourcing investment property includes purchase price, relevant taxes and fees and other expenditure which directly belong to the assets; the self-built investment property cost is constituted by the necessary expenditure spent generated before that asset reaches the expected serviceable condition.

The Company will adopt cost model to carry out subsequent measurement for investment property, and withdraw depreciation or amortization for buildings and land use right according to expected useful life and net residual value rate. Specific accounting policy is the same with the fixed assets.

For the impairment test method and the calculation and withdrawal method of impairment reserves of investment property, refer to Note (27) Long-term Asset Impairment.

In case that the purpose of investment property is changed as self-use, the Company converts the investment property into fixed assets or intangible assets since the date of changing. In case that the purpose of the self-use real estate are changed as earning rent or capital gain, the Company converts the fixed assets or intangible assets into investment property since the date of changing. In case of conversion, the book value before conversion should be recognized as the entry value after conversion.

If an investment property is disposed, or if it withdraws permanently from use and it is predicted that no economic benefit will be obtained from the disposal, this investment property shall be derecognized. The difference between the disposal income from the sale, transfer, scrapping, or damage of investment property after deducting its book value and relevant taxes and fees is included in the current profits and losses.

23. Fixed assets

(1) Recognition conditions

Fixed assets refer to the tangible assets held for goods production, providing labor service, leasing or operation management with a useful life of more than one accounting year. The fixed assets should be recognized when they simultaneously meet the conditions as follows:

- (1) The economic benefits related to the fixed assets are likely to flow into the Company;
- (2) The cost of the fixed assets can be measured reliably.

(2) Depreciation method

Type	Depreciation method	Depreciation period	Residual rate	Annual depreciation rate
Buildings and structures	Straight-line method	20-40	3%	2.425%-4.85%
Machinery and equipment	Straight-line method	5-8	3%	12.125%-19.40%
Electronic equipment	Straight-line method	5-10	3%	9.70%-19.40%
Transport equipment	Straight-line method	3-5	3%	19.40%-32.33%
Other equipment	Straight-line method	4-8	3%	12.125%-24.25%

24. Construction in progress

The Company calculates cost of construction in progress built by itself, and actual cost consists of necessary expenses before the capital reaching to the expected serviceable condition, including project material cost, labor cost, relevant taxes and fees paid, borrowing expenses to be capitalized, indirect cost to be shared, etc.

The construction in progress shall take all expenditures occurred before the asset reaching expected serviceable condition as the entry value of fixed assets. If the construction in progress reaches the expected serviceable condition and has not been accounted on the completion, since the date of reaching the expected serviceable condition, according to the engineering budget, cost or the project actual cost, etc., it is transferred into fixed assets according to the estimated value, and depreciated the fixed assets in accordance with the fixed assets depreciation policy of the Company, and after dealing with the completion of final accounts, then it is adjusted to the original provisional estimate value according to the actual cost, but does not adjust the original depreciation amount.

For the impairment test method and the calculation and withdrawal method of impairment reserves of construction in progress, refer to Note (27) Long-term Asset Impairment.

25. Borrowing expenses

1. Recognition principle of capitalization of borrowing expenses

Where the borrowing expenses incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, they shall be capitalized and included into the costs of relevant assets; other borrowing expenses shall be recognized as costs based on the accrual during the occurrence, and included into the current profits and losses.

Assets eligible for capitalization refer to fixed assets, investment properties, inventories, and other assets that require a considerable amount of time for acquisition or construction, or production to reach the intended use condition or marketable condition.

If the borrowing expenses meet the following conditions, the capitalization shall be started:

- (1) Asset expenditures have already occurred, which include cash, transferred non-cash assets or debt expenditure bearing interests paid for the acquisition and construction or production of assets eligible for capitalization;
- (2) The borrowing expenses have already occurred;
- (3) The purchase, construction and production activities which are necessary to make assets reach the intended use condition or marketable condition have already started.

2. Capitalization period of borrowing expenses

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing expenses, excluding the period of suspension of capitalization of the borrowing expenses.

Capitalization of borrowing expenses will be suspended when the assets obtained from purchase and construction or production meeting capitalization conditions reach the intended use condition or marketable condition.

When some items of the assets obtained from the acquisition and construction or production meeting capitalization conditions are separately completed and can be separately used, capitalization of borrowing expenses of this asset part shall be stopped.

Where each part of assets under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it cannot be used or sold until the asset is entirely completed, the borrowing expense capitalization shall be ceased when the asset is completed entirely.

3. Suspension period of capitalization

If any abnormal interruption appears during acquisition and construction or production of assets meeting capitalization conditions and the interruption exceeds 3 consecutive months, capitalization of borrowing expenses shall be suspended; if the interruption is a necessary procedure of the constructed or produced capital complying with capitalization conditions to reach to the expected serviceable condition or marketable condition, the borrowing expenses continue to conduct capitalization. The borrowing expenses occurred during such period shall be recognized as expenditures, and shall be concluded into the current profits and losses, till the starting of acquisition and construction or production of the asset restarts.

4. Calculation method of capitalization amount of borrowing expenses

The interest expenses of special borrowings (deducting the interest income that is gained by the unused loan depositing in bank and the temporary return on investment) and its auxiliary expenses are capitalized when the assets in acquisition and construction or production meeting the capitalization standards reach the intended use condition or marketable condition.

The interest amount of general borrowing expenses after capitalization is calculated and determined after the weighted average of excess part of accumulative asset expenditures compared with the assets of special borrowing costs is multiplied by the capitalization rate of generally occupied borrowing costs. The capitalization rate is determined based on the weighted average interest rate of the general borrowing.

Where there is any discount or premium, the amount of discounts or premiums which shall be amortized during each accounting period shall be determined by the effective interest method, and the adjustment shall be made to the amount of interests in each period.

26. Intangible assets

(1) Useful life and its determination basis, estimated situation, amortization method or review procedure

Intangible assets refer to the identifiable non-monetary assets without material form owned or controlled by the Company, including land-use right, patent right, non-patented technology, etc.

1. Initial measurement of intangible assets

The costs of outsourcing intangible assets include purchase price, relevant taxes and fees and other expenditures directly when such asset reaches to the expected purpose. If intangible assets are purchased at a price beyond normal credit conditions, in other words, with the financing nature, the cost of the intangible assets shall be recognized based on the present value of purchase price.

If debt restructuring obtains mortgage intangible assets of the debtor, it is recognized into the entry value on the basis of fair value of this intangible asset, and then the balance between the book value of restructuring debt and fair value of the mortgage intangible asset is included into the current profits and losses.

On the premise that the fair value of non-monetary asset exchange with the commercial essence and swap-in asset or swap-out asset can be reliably calculated, book value of intangible assets swapped in from non-monetary asset exchange is recognized based on the fair value of swap-out assets, unless otherwise there is unambiguous evidence proving that the fair value of swap-in asset is more reliable; if the non-monetary asset exchange fails to meet above-mentioned conditions, the book value of swap-out assets and relevant taxes and fees payable are deemed as the cost of swap-in intangible assets, and the profits and losses are not recognized.

Book value of intangible assets obtained from the business combination under the same control shall be recognized based on the book value of the combined party; book value of intangible assets obtained from the business combination not under the same control shall be recognized based on the fair value.

Cost of internally developed intangible assets includes: intangible assets developed by the internal, its costs include: materials consumed for developing this intangible asset, labor cost, registration charges, amortization of other patent rights and chartered rights used in the development process and interest expenses to meet capitalization conditions, and other charges caused before making the intangible asset reach expected uses.

2. Subsequent measurement of intangible assets

The Company analyzes and judges the useful life upon obtaining intangible assets. The intangible assets are divided into that with the limited useful life and uncertain useful life.

(1) Intangible assets with limited useful life

The intangible assets with the useful life shall be amortized in the straight-line method within the time limit during which it can bring economic benefits for enterprises.

At the end of the period, the useful life and amortization method of intangible assets whose useful life is limited shall be reviewed and adjusted when necessary.

For the impairment test method and the calculation and withdrawal method of impairment reserves of intangible assets, refer to Note (27) Long-term Asset Impairment.

(2) Intangible assets with uncertain useful life

At the end of the period, the useful life of the intangible asset with an uncertain useful life shall be reviewed. If it is proved that its time limit of economic benefits brought by the intangible assets of the enterprise can be predictable, its useful life shall be estimated, and amortization shall be made according to the amortization policy for intangible asset with a finite useful life.

For the impairment test method and the calculation and withdrawal method of impairment reserves of intangible assets, refer to Note (27) Long-term Asset Impairment.

(2) Scope of R&D expenditure collection and related accounting treatment methods

1. Specific standards for dividing research stage and development stage of the Company's internal R&D projects

Research stage: the stage in which the creative and planned investigation, research activities are carried out to acquire and understand new scientific or technological knowledge.

Development stage: the stage in the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product, etc.

The expenses of the internal R&D projects in the research stage shall be included into the current profits and losses during the occurrence.

2. Specific standards that meet capitalization in the development stage

The development stage expenditures of the internal research and development projects shall be recognized as intangible assets when meeting the following conditions simultaneously:

- (1) The intangible assets should be finished so that it can be sold and have feasibility in technology;
- (2) There is intention to finish and use or sell the intangible assets;
- (3) The method of intangible assets generate the economic benefits with the modes of including the product market, which is produced by the intangible assets or the market of intangible assets itself; the usefulness of the intangible assets shall be demonstrated if being used internally;
- (4) There are sufficient supports of technology, financial resources and other resource, to complete the development of the intangible assets, and the ability to use or sell the intangible assets;

(5) The expenditures of the intangible assets in the development stage can be reliably measured.

Capitalization time of internal R&D expenditures: the planned investigation stage for obtaining new skills and knowledge shall be identified as research stage, and such stage is planned and exploratory; before commercial production or use, the stage of applying research results or other knowledge to a plan or design in order to produce new materials, devices, products, etc. with substantive improvement shall be identified as the development stage, and such stage is targeted and more likely to produce results, etc.

Expenditures failing to meet above conditions in the development stage are included into the current profits and losses once incurred. The R&D expenditures, if unable to be divided into research expenditure and development expenditure, are totally included into the current profits and losses. The costs of intangible assets formed by internal development activities only include the gross expenditure incurred from the moment of satisfaction of the capitalization condition to the moment when the intangible assets achieve their predefined purposes. The expenditure of one intangible asset already charged and included into profits and losses before the moment when the tangible assets satisfy the capitalization condition in the development process shall not be further adjusted.

27. Impairment of long-term assets

The Company checks whether the intangible assets determined by a long-term equity investment, investment property measured by the cost method, fixed assets, construction in progress and useful life have any signs of possible impairment at each balance sheet date. If the long-term asset has impairment trend, it is necessary to estimate its recoverable amount based on the single asset item; for the recoverable amount of single asset which is difficult to estimate, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs.

The estimate of the recoverable amount of an asset is determined based on the higher of its fair value minus disposal expenses and the present value of the expected future cash flows of the asset.

The measurement result of recoverable amount indicates that if the recoverable amount of asset is lower than its book value, then it shall reduced and recorded the book value of asset to recoverable amount, the reduced amount shall be recognized as asset impairment loss and included into the current profits and losses, and corresponding asset impairment reserves shall be withdrawn at the same time. Once the asset impairment loss is recognized, it will not be reversed in future accounting periods.

After the asset impairment loss has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment book value of the asset systematically (deducting the expected net residual value) within the residual useful life of the assets.

The goodwill and intangible assets with uncertain useful life formed by the business combination are subject to impairment test annually, regardless of whether there are signs of impairment.

During the impairment test, the book value of goodwill shall be apportioned to asset group or asset group portfolio expected to benefit from the synergistic effect of business combination. When the impairment tests are conducted on relevant asset groups or asset group portfolios containing goodwill, if there are impairment signs for asset groups or asset group portfolios related to goodwill, it is required to firstly conduct impairment test to asset groups or asset group portfolios not containing goodwill, calculate recoverable amount, and compared with relevant book values to recognize the corresponding impairment loss. The Company shall make an impairment test of the asset groups or asset group portfolios containing goodwill, and compare the book value of these asset groups or asset group portfolios (including the book value of the goodwill amortized) and their recoverable amount. If the recoverable amount of relevant assets groups or asset group portfolios is lower than the book value thereof, the impairment losses of the goodwill shall be recognized.

28. Long-term unamortized expenses

Long-term deferred expenses refer to the expenses have occurred of the Company and should be burdened in the current period and all periods in the future, which is more than one year. The long-term deferred expenses shall be amortized in installments with the straight-line method within the benefit period.

29. Contract liabilities

The Company presents the obligation of transferring goods or services for customers due to consideration received or receivable as contract liabilities.

30. Employee remuneration

(1) Accounting treatment method of short-term remuneration

Short-term compensation refers to the employee compensation that the Company needs to pay in full within twelve months after the end of the annual reporting period for employees providing relevant services, except for post-employment benefits and dismissal benefits. During the fiscal period in which employees provide services for the Company, recognize the payable short-term remuneration as liabilities, and include into related asset costs and expenses in accordance with the beneficiary that the employees serve.

(2) Accounting treatment method of post-employment benefits

Post-employment benefit refers to various forms of remuneration and welfare after retirement or severing labor relation provided by the Company to receive the service provided by the employees, excluding short-term remuneration and dismissal benefit.

The Company's post-employment benefit plan is classified into defined contribution plan and defined benefit plan.

The defined contribution plan of post-employment benefit mainly refers to basic endowment insurance and unemployment insurance provided by labor and social security organization. In the fiscal period when the employee serves the Company, the deposited amount calculated based on defined contribution plans will be recognized as liabilities and included into the current profits and losses or the relevant asset costs.

(3) Accounting treatment method of dismissal benefits

Dismissal benefit means the compensation for employees provided by the Company for the lifting of labor relation with such employees before labor contract expires or for encouraging them to voluntarily accept redundancy. The Company recognizes the liabilities resulting from the compensation given to those with whom the labor relation is severed and includes them in the current profits and losses at the earlier of the date when the Company does not unilaterally withdraw labor relation or make redundancy advice and the date when the relevant cost in relation to the payment of dismissal benefit is recognized.

Employees of the Company who accept the early retirement arrangement would be provided with early retirement benefits. Early retirement benefits would be provided to employees who are willing to retire from the working post and are approved by the management of the Company earlier than the mandatory retirement age as required by the state, including the payment of salary and social insurance premiums, etc. The Company shall pay internal retirement benefits to retired employees from the date when the internal retirement arrangement starts until the employees reach the normal retirement age. The Company accounts for the early retirement welfare with reference with dismissal benefit. When the conditions of dismissal benefit are met, the early retirement employee salary and social insurance premium paid in the period from the date when the employee stops providing services to date of normal retirement, will be recognized as liabilities and included into the current profits and losses at one time. The differences arising from changes in actuarial assumption for early retirement benefits and adjustment on benefit standards would be included into the current profits and losses upon occurrence.

31. Estimated liabilities**1. Recognition standards of estimated liabilities**

When the contingency obligation related to product quality guarantee and others is the present obligation of the Company, and the obligation performance may cause the outflow of economic profits, of which the amount can be measured reliably, the amount shall be recognized as estimated liabilities.

2. Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured in accordance with the best estimate of the expenses required to perform relevant current obligations.

When the Company recognizes the best estimated quantity, it should take risks related to contingencies uncertainty and values of currency and time into consideration. With the significant influence of currency, the best estimates shall be determined by discounting relevant future cash outflow.

The best estimates are dealt with in accordance with following cases:

The required expenditures have a consecutive scope (or interval), and the possibility of all the results within this scope is the same, and the best estimated quantity shall be recognized as per the intermediate value of this scope namely the average of the top and bottom limitation.

In case of necessary expenses having no consecutive range (or interval), or having one consecutive range but possibility of each result in this range being different from each other, if contingencies involve single project, the best estimate can be recognized according to the most possible amount; if contingencies involve multiple projects, the best estimate shall be recognized according to various possible results and relevant probability.

The Company's compensation amount shall be recognized separately as assets when recognizing it may be recovered if all or part of the expenditures necessary for paying off estimated liabilities is compensated by the third party, and the recognized compensation amount shall not exceed the book value of estimated liabilities.

32. Share-based payment**1. Types of share-based payments**

The share-based payment of the Company is categorized into equity-settled share-based payment and cash-settled share-based payment.

2. Determination method of fair value of equity instruments

As for the options and other equity instruments existing in the active market, it shall determine the fair value according to the quotation in the active market. Granted options in inactive market and other equity instruments adopt option pricing model and others to recognize their fair value, and consider the following factors when selecting option pricing models: (1) Executive price of option;

(2) Option validity period; (3) Current price of underlying share; (4) Expected volatility of share price; (5) Expected dividend of shares; (6) Risk-free interest rate within option validity period.

When determining the fair value on the grant date of equity instrument, consider the influence of market condition in the vesting conditions and non-vesting condition as stipulated in the share-based payment agreement. In case of the non-vesting condition for share-based payment, the service cost is recognized to be gained only if the employee or other parties satisfied the non-market condition in all vesting conditions (e.g. service term).

3. Determination basis for the best estimates of vesting equity instrument

As for each balance sheet date in the waiting period, the Company can make the best estimate according to the variations in number of employees and other subsequent information, in order to amend the amount of equity instrument of the predicated vesting right. On the date of vesting right, the quantity of ultimate estimated vesting equity instrument shall be consistent with actual vesting right.

4. Accounting treatment method**(1) Accounting treatment for equity-settled and cash-settled share-based payment**

Equity-settled share-based payments are measured at the fair value of equity instruments granted to employees. If the instrument is exercisable after conferring, it shall be recognized as relevant costs or expenses based on the fair value of the equity instrument on the grant date, and the corresponding capital reserves shall be increased. If the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in current period shall, based on the best estimate of the quantity of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equity instruments on the grant date. The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owners' equities which have been recognized.

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and recognized based on the shares or other equity instruments undertaken by the Company. If it is exercisable after vesting, it shall be included into the costs or expenses based on the fair value of liabilities borne by the Company on vesting date, and the liabilities shall be increased correspondingly. For cash-settled share-based payment, if it can only be executed after completing services within the waiting period or meeting specified achievement conditions, on each balance sheet date within the waiting period, current services shall be included into cost or expenditure and relevant liabilities based on the best estimate of quantity of executable equity and according to fair values of liabilities borne by the Company. On each balance sheet date and on each account date prior to the settlement of the relevant liabilities, it is necessary to re-measure the fair values of the liabilities and include the changes into the current profits and losses.

(2) Accounting treatment for modification of terms and conditions of share-based payment

For adverse modifications, the Company considers that the change has never occurred and continues to account for the services obtained.

For favorable modifications, the Company will handle them in accordance with the following regulations: If the fair value of equity instrument granted is modified to increase, the Company shall recognize the increase of service obtained correspondingly according to the increase of fair value of equity instrument. If the modification occurs during the waiting period, the fair value of the services obtained between the recognition of the modification date and the modified vesting date should include both the service amount determined based on the fair value of the original equity instrument on the grant date during the remaining original waiting period and the increase in the fair value of the equity instrument. If the modification occurs after the vesting date, the increase in the fair value of the equity instrument should be immediately recognized. If the share-based payment agreement requires employees to only obtain the modified equity instrument after completing a longer period of service, the Company should recognize the increase in the fair value of the equity instrument throughout the waiting period.

If the number of equity instrument granted is modified to increase, the Company shall recognize the fair value of equity instrument increased as the increase of service obtained. If the modification occurs during the waiting period, the fair value of the services obtained between the recognition of the modification date and the vesting date of increased equity instrument should include both the service amount determined based on the fair value of the original equity instrument on the grant date during the remaining original waiting period and the increase in the fair value of the equity instrument.

If the revision of vesting conditions is done in favor of employees, such as waiting period cut-down, modification or cancel of performance conditions (non-market conditions), the Company shall take modified vesting conditions into consideration to deal with vesting conditions.

(3) Accounting treatment for cancellation of share-based payment

During the waiting period, if the granted equity instrument is cancelled, the Company will cancel the granted equity instrument as an accelerated exercise, and the amount to be recognized in the remaining waiting period will be immediately included into the current profits and losses, and the capital reserves shall be recognized at the same time. If the employee or other party can choose to meet the non-vesting conditions but fails to meet in the waiting period, the Company will treat it as a cancellation of the equity instrument.

33. Preferred stock, perpetual bonds, and other financial instruments

The Company classifies financial instruments or its components into financial liabilities or equity instruments during the initial recognition in accordance with the provisions of financial instrument standards, as well as contract terms of the issued preferred shares, perpetual bonds and other financial instruments and reflected economic essence in legal forms and others, in combination with definitions of financial liabilities and equity instruments:

1. In case of meeting one of the following conditions, the issued financial instruments can be classified as financial liabilities:

- (1) Contractual obligation of paying cash or other financial assets to other parties;
- (2) Contractual obligations to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;
- (3) Contractual obligations to non-derivative instruments which must be settled or may be settled by the enterprise with its own equity instruments in the future, whereby the enterprise will deliver an unfixed amount of the equity instruments of its own according to the said contract;
- (4) Contractual obligations to non-derivative instruments which must be settled or may be settled by the enterprise with its own equity instruments in the future, except for derivative contracts which exchange fixed-amount cash or other financial assets with its own equity instruments.

2. In case of meeting all the following conditions at the same time, the issued financial instruments can be classified as equity instruments:

- (1) Such financial instruments do not include contract obligations of paying cash or other financial assets to other parties, or exchanging financial assets or financial liabilities with other parties under possible adverse conditions;
- (2) In case of being necessary or able to use enterprise with its own equity instrument to settle the financial instruments in the future, if the financial instrument is not derivative instrument, it does not include contract obligations of paying self equity instrument variable in terms of number for settlement; if it is derivative instrument, the enterprise can only exchange the fixed-amount cash or other financial assets with fixed-amount self equity instrument to settle these financial instruments.

3. Accounting treatment method

For financial instruments classified as equity instruments, their interest expenditure or dividend distribution shall be regarded as profit distribution of the issuing enterprise, and buy-back, cancellation, etc. as fluctuation processing, and handling charge, commission and other transaction expenses shall be deducted from equity;

for financial instruments classified as financial liabilities, their interest expenditure or dividend distribution, by principle, shall be disposed as borrowing expenses, the income and loss generated from buy-back or redemption shall be included into the current profits and losses, and count handling charge, commission and other transaction expenses into the initial measurement amount of the issued instrument.

36. Revenue

The accounting policies adopted for revenue recognition and measurement are disclosed according to business types. The Company's revenue mainly comes from the following business types:

- (1) Revenue from sales of goods;
- (2) Revenue from provision of services.

1. General principles of revenue recognition

The Company has fulfilled the performance obligations in the contract, that is, the revenue is recognized at the transaction price allocated to the performance obligation when the customer obtains control right of the relevant goods or services. The performance obligation refers to the commitment in the contract that the Company transfers the clearly distinguishable goods or services to the customers. Gaining the control right of relevant goods means being able to dominate the use of the goods and derive almost total economic benefit from them.

The Company will evaluate the contract on the start date of the contract, identify the individual performance obligations contained in the contract, and determine whether the individual performance obligations are performed within a certain period or at a certain time. If one of the following conditions is met, it belongs to the performance obligation to be performed within a certain period, and the Company recognizes the revenue within a certain period in accordance with the performance progress: (1) The customer obtains and consumes the economic benefits while the Company fulfills the performance obligation; (2) The customer controls the goods in process while the Company fulfills the performance obligation; (3) The goods produced during the performance have irreplaceable purposes and the Company is entitled to charge money for the performance accumulated and has been finished until the current time within the whole contract period. Otherwise, the Company recognizes the revenue at the time when the customer obtains the control right over the relevant goods or services.

For the performance obligations performed in a certain period, the Company adopts the input method to determine the appropriate performance schedule according to the nature of goods and services. The output method is based on the value of transferred goods for the customers to recognize the performance progress. When the performance schedule is not reasonably determinable, the Company recognizes revenue at the amount of costs already incurred until the performance schedule can be reasonably determined if the costs already incurred are expected to be reimbursed.

2. Specific method of revenue recognition

(1) Revenue from sales of goods

The sales of goods between the Company and customers usually refer to the sales of servers and components, IT terminals, and bulk items, which belong to the "performance obligation at a certain point in time".

A. Domestic sales revenue: the Company shall transport the goods to the agreed location in accordance with the contract, and the customer has signed for the goods, and the control right of the goods has been transferred to the customer. The Company recognizes revenue when the above conditions are met.

B. Export sales revenue: the Company has declared and exported the products in accordance with the contract, obtained the customs declaration and bill of lading (waybill), received the payment for the goods or obtained payment vouchers, and the control right of the goods has been transferred to the customer. The Company recognizes revenue when the above conditions are met.

(2) Revenue from provision of services

The services provided between the Company and customers usually refer to maintenance and operation services, usually customized services. Due to the fact that at the same time as the Company fulfills its obligations, the customers acquire and consume the economic benefits brought by the Company's performance. Therefore, the Company regards it as a "performance obligation within a certain period", recognizes revenue based on the progress of performance, and determines the progress of service provision based on the output method.

Situation where similar businesses adopt different business models and involve different revenue recognition methods and measurement methods

35. Contract cost

1. Contract performance cost

The costs incurred by the Company to perform the contract are recognized as an asset as contract performance cost if it does not fall within the scope of other Accounting Standards for Business Enterprises other than the standards for revenues and meets the following conditions at the same time:

- (1) The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer, and other costs incurred solely due to the contract;
- (2) The cost increases the resources used by the Company for the future performance obligations;
- (3) The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortization period at the time of initial recognition exceeds a normal operating cycle.

2. Contract acquisition cost

The incremental cost incurred by the Company to obtain the contract and expected to be recovered is recognized as an asset as the contract acquisition cost. Incremental costs refer to costs that the Company will not incur without obtaining a contract (such as sales commissions, etc.). If the amortization period does not exceed one year, it shall be included into the current profits and losses at the time of occurrence.

3. Amortization of contract costs

The above-mentioned assets related to contract costs shall be amortized at the time of performance of the obligations or according to the performance progress of the obligations on the same basis as the revenues recognition of goods or services related to the asset, and shall be included into the current profits and losses.

4. Impairment of contract costs

The excess shall be provided for impairment and recognized as asset impairment loss if the book value of the above-mentioned assets related to contract costs is higher than the difference between the remaining consideration that the company is expected to obtain due to the transfer of the goods related to the asset and the estimated cost to be incurred for the transfer of the related goods.

After the provision for impairment is made, if the factors of impairment in previous periods change, making the difference between the above two items higher than the book value of the asset, the original provision for impairment of the asset shall be reversed and included into the current profits and losses. However, the book value of the reversed asset shall not exceed the book value of the asset on the date of reversal under the assumption that no provision for impairment is made.

36. Government subsidies

1. Type

Government subsidies are the monetary and non-monetary assets freely obtained by the Company from the government. Government subsidies consist of asset-related government subsidies and income-related government subsidies.

According to the subsidy object regulated in government documents, the government subsidies are divided into asset-related government subsidies and income-related government subsidies.

2. Recognition of government subsidies

If there is evidence indicating the Company meets the conditions regulated in financial support policy and the financial support funds may be received at the end of the period, the government subsidies shall be recognized based on the amount receivable. In addition, the government subsidies shall be recognized upon receiving.

Monetary government subsidies shall be measured based on received or receivable amount. Non-monetary government subsidies shall be measured at fair value; In case the fair value cannot be reliably acquired, it shall be measured in accordance with nominal amount of RMB 1. The government subsidies measured by the nominal amount shall be directly included into the current profits and losses.

3. Accounting treatment method

Based on the essence of economic business, the Company determines whether a certain type of government subsidies shall be subject to the accounting treatment by using the gross method or the net method. In general, the Company only chooses one method for the same type of or similar government subsidies, and this method is consistently applied to the business.

Asset-related government subsidies would offset the book value of the relevant assets or be recognized as deferred incomes. Asset-related government subsidies which are considered as deferred revenues shall be included in the profits and losses by installment in a reasonable and systematic way within the useful life of the assets constructed or purchased.

Income-related government subsidies applied in compensating the relevant cost expenses or losses in the later period of the Company and recognized as deferred incomes shall be included into the current profits and losses and offset related costs during the period of recognizing the related cost expenses or losses; the government subsidies that are already applied in compensating the relevant cost expenses or losses of the Company shall be directly included into the current profits and losses or offset related costs while being acquired.

The government subsidies related to the daily activities of the Company shall be included in other incomes or offset related cost expenses; the government subsidies that are irrelevant to the Company's daily activities shall be included into non-operating income and expenditure.

The received government subsidies related to the policy-related preferential loan interest subsidies shall be used to offset the relevant borrowing expenses; the received loan with policy-related preferential interest rate provided by the loan bank shall take the actually-received borrowing amounts as the entry value of the loan, and the relevant borrowing expenses shall be calculated based on the loan principal and the policy-related preferential interest rate.

When the recognized government subsidies need to be returned, if the book value of relevant assets is offset during the initial recognition, it should be adjusted. If there is the balance of deferred revenues concerned, the book balance of the deferred revenues shall be offset against, but the excessive part shall be included into the current profits and losses; if there is no deferred income concerned to the government subsidy, it shall be directly included into the current profits and losses.

37. Deferred income tax assets/deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the differences (temporary differences) arising between the tax bases of assets and liabilities and their book value. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the expected period of asset recovery or liability settlement.

1. Basis for recognition of deferred income tax assets

The Company may recognize the deferred income tax assets generated from the deductible temporary difference with taxable income which is possible to deduct deductible temporary difference and carry over the deductible losses and taxes in future years. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions that also have the following characteristics shall not be recognized: (1) The transaction is not a business combination; (2) When the transaction occurs, it does not affect accounting profits and taxable income or deductible losses.

As for deductible temporary difference related to the investment by subsidiaries with associated enterprise, as well as those satisfy the following conditions simultaneously, the corresponding deferred income tax assets can be recognized: the temporary difference may be returned in the foreseeable future, and they are likely to be used to offset taxable income of deductible temporary difference in the future.

2. Basis for recognition of deferred income tax liabilities

The Company shall recognize the current and the due but payable taxable temporary differences as deferred income tax liabilities. However, the following items are not included:

- (1) Temporary difference formed upon initial recognition of goodwill;
- (2) Temporary difference from transaction or matter of non-business combination which may not influence accounting profits, nor the temporary difference formed by the taxable income (or deductible losses);
- (3) As for the taxable temporary difference related to the investment by the subsidiary and associated enterprise, its reversal time can be controlled, and the temporary difference probably will not reverse in the predictable future.

3. When the following conditions are met simultaneously, the deferred income tax assets and the deferred income tax liabilities shall be presented with the net amount after offsetting

- (1) The Company has the legal right to obtain the current income tax assets and current income tax liabilities settled by net amount;
- (2) The deferred income tax assets and liabilities are related to the income tax collected by the same taxpaying body or the different taxpaying bodies by the same department of tax collection and management. When the deferred income tax assets and liabilities are turned back, the involved taxpaying body intends to settle current income tax assets and liabilities or acquire assets and pay off liabilities simultaneously by net amount.

38. Lease**(1) Accounting treatment method for leasing as a lessee**

On the contract start, the Company shall evaluate whether the contract is a lease or includes a lease. Where either party thereto assigns one or more use rights of the identified asset(s) under its control in a certain period to get consideration, the contract is used for ease or includes a lease.

1. Partition of lease contract

If the contract contains multiple separate leases at the same time, the Company will split the contract and have each separate lease separately subject to accounting treatment.

2. Mergence of lease contract

When two or more contracts containing leases concluded by the Company with the same counterparty or its related parties at the same time or similar time meet one of the following conditions, they will be merged into one contract for accounting treatment:

- (1) The two or more contracts are concluded based on the overall commercial purpose and constitute a package deal. If they are not considered as a whole, the overall commercial purpose cannot be understood.
- (2) The consideration amount of one of the two or more contracts depends on the pricing or performance of other contracts.
- (3) The right to use the assets transferred by the two or more contracts together constitute a single lease.

3. Accounting treatment of the Company as a lessee

On the commencement date of lease term, except for the short-term lease and low-value asset lease which are simplified, the Company recognizes the right-of-use asset and lease liabilities.

(1) Short-term lease and low-value asset lease

Short-term lease refers to a lease that does not include a purchase option and has a lease term of no more than 12 months. A lease of low-value assets refers to a low-value lease when a single lease asset is regarded as a new asset.

The Company recognizes right-of-use assets and lease liabilities for short-term leases and low-value asset leases other than those mentioned above.

(2) Right-of-use assets

The right-of-use assets of the Company are initially measured at cost. The said cost includes:

1. Initial measurement amount of lease liabilities;
2. Amount of lease payments made on or before the commencement date of lease term; in case of any lease incentive, the related amount of such lease incentive having been enjoyed should be deducted;
3. Initial direct costs of the Company;
4. Company's estimated costs for dismantling and removing the lease assets, restoring the site where the lease assets are located, or restoring the lease assets to the agreed state under the lease terms (excluding the costs incurred for the production inventory).

The Company adopts the cost model for subsequent measurement of the right-of-use assets after the commencement date of lease term.

If the Company can reasonably determine that it will acquire ownership of the lease assets at the end of the lease term, depreciation shall be calculated and withdrawn over the remaining useful life of the lease asset. Whereas the ownership of the lease assets cannot be reasonably recognized at the expiration of the lease term, the Company will calculate and withdraw the depreciation of the lease assets within the lease term or the remaining useful life thereof, whichever is shorter. For the right-of-use assets with impairment reserves, depreciation will be accrued in the future in accordance with the book value after deducting impairment provision with reference to the above principles.

The Company determines whether any right-of-use assets are impaired in accordance with the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, and has identified impairment losses subject to accounting treatment. Refer to Note (27) Long-term Asset Impairment for details.

(3) Lease liabilities

The Company's lease liabilities shall be initially measured at the present value of the outstanding lease payments on the commencement date of lease term. When calculating the present value of the lease payment, the Company shall adopt the interest rate implicit in the lease as the discount rate; where the interest rate implicit in the lease cannot be determined, the incremental borrowing interest rate of the Company shall be used as the discount rate. Lease payment includes:

1. Fixed payment amount and substantial fixed payment amount after deducting the relevant amount of lease incentives;
2. Variable lease payment dependent on the index or ratio;
3. When the Company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the purchase option;
4. In the case that the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment includes the payment required to exercise the option to terminate the lease;
5. Estimated amount to be paid based on the residual value of the guarantee provided by the Company.

The Company calculates the interest expense of the lease liabilities in each period of the lease terms at a fixed discount rate and includes it into the current profits and losses or the related asset costs.

The variable lease payment not included into the measurement of lease liabilities shall be included into the current profits and losses or relevant asset costs when it actually occurs.

(2) Accounting treatment method for leasing as a lessor

(1) Classification of lease

The Company will divide lease into financial leasing and operating lease on the lease commencement date. Financial lease refers to a lease that substantially transfers almost all the risks and rewards related to the ownership of the lease assets, and its ownership may or may not be transferred eventually. Operating lease refers to other leases except for the financing lease.

If a lease has one or more of the following signs, the Company may classify it as a financing lease:

- 1) The ownership of the lease assets is transferred to the lessee when the lease term expires.
- 2) The lessee has the option to purchase the lease asset, and the purchase price agreed upon is sufficiently low compared to the fair value of the lease asset when the option is expected to be exercised. Therefore, it can be reasonably determined from the lease commencement date that the lessee will exercise the option.
- 3) Even if the ownership of the assets is not transferred, the lease term accounts for the most part of the useful life of the lease assets.
- 4) On the lease start date, the present value of the lease receipts is almost equal to the fair value of the lease assets.
- 5) The lease assets can only be used by the lessee for its special nature, if it is not materially changed.

If a lease has one or more of the following signs, the Company may classify it as a financing lease:

- 1) If the lessee cancels the lease, the losses incurred to the lessor shall be borne by the lessee;
- 2) Gains or losses arising from fluctuations in the fair value of the residual value of the asset shall be attributed to the lessee;
- 3) The lessee can continue to lease to the next period at a rent far below the market level.

(2) Accounting treatment method of financing lease

On the commencement date of lease term, the Company recognizes financing lease receivables for financing lease and derecognizes the financing lease assets.

When the financing lease receivables are initially measured, the sum of the unguaranteed residual value and the present value of the lease receipts that have not been received on the commencement date of lease term, discounted in accordance with the inherent interest rate of the lease, is taken as the entry value of the financing lease receivables. Lease payment includes:

1. Fixed payment amount and substantial fixed payment amount after deducting the relevant amount of lease incentives;
2. Variable lease payment dependent on the index or ratio;
- 3) When it is reasonably determined that the lessee will exercise the purchase option, the lease receipt amount includes the exercise price of the purchase option;
- 4) In the case that the lease term reflects that the lessee will exercise the option to terminate the lease, the lease receipt includes the payment required to exercise the option to terminate the lease;
- 5) Residual value of guarantee provided to the lessor by the lessee, related parties with the lessee and independent third parties with financial ability to perform guarantee obligations.

The Company calculates and recognizes the interest income of each period within the lease term in accordance with the fixed lease interest rate, and the variable lease payment that is not included in the measurement of the net lease investment is included into the current profits and losses when it actually occurs.

(3) Accounting treatment of operating leases

The Company recognizes lease receipts from operating leases as rental income using the straight-line method or other systematic and reasonable method during each period of the lease term. The Company capitalizes initial direct costs pertaining to operating leases upon their occurrence, and apportions them as per the same basis used for recognizing the rental income within the lease term and includes them in current profits and losses by period; The variable lease payments related to operating leases that are not included in the lease receipts should be recognized in current profits and losses when they actually occur.

39. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable Not applicable

Unit: RMB

Contents and reasons for changes in accounting policies	Name of items affected in the statements	Affected amount
Starting from January 1, 2023, the Company will implement the Interpretation of <i>Accounting Standards for Business Enterprises No. 16</i> issued by the Ministry of Finance in 2022, which states the "accounting treatment of deferred income tax related to assets and liabilities arising from individual transactions that are not exempt from initial recognition".	Description of significant changes in accounting policies (1)	

(1) Effects of the implementation of the Interpretation of Accounting Standards for Business Enterprises No. 16 on the Company

On December 13, 2022, the Ministry of Finance issued the *Interpretation of the Accounting Standards for Business Enterprises No. 16* (CK [2022] No. 31, hereinafter referred to as "Interpretation No. 16"). "Accounting treatment of deferred income tax related to assets and liabilities arising from individual transactions that are not exempt from initial recognition" in Interpretation No. 16 will be implemented from January 1, 2023, allowing enterprises to execute it ahead of schedule from the year of publication. The Company implemented accounting treatment related to this matter in the current year.

For the lease liabilities and right-of-use asset recognized at the beginning of the earliest period in which Interpretation 16 was first implemented (i.e. January 1, 2022), as well as the estimated liabilities and corresponding assets related to abandonment obligations recognized, resulting in deductible temporary differences and taxable temporary differences, the Company will adjust the cumulative impact amount to the retained earnings and other related financial statement items at the beginning of the earliest period in which Interpretation 16 and the *Accounting Standards for Business Enterprises No. 18 - Income Tax* were applied (i.e. January 1, 2022).

According to the relevant provisions of Interpretation No. 16, the Company has adjusted the cumulative impact of financial statement related items as follows:

Item	Original reported amount as of January 1, 2022	Cumulative impact amount	Adjusted amount as of January 1, 2022
Deferred income tax assets	379,835,798.95	1,998,081.71	381,833,880.66
Deferred income tax liabilities	114,958,805.96	1,998,081.71	116,956,887.67

For lease liabilities and right-of-use asset recognized for individual transactions subject to Interpretation 16 that occurred between the beginning of the financial statement presentation period (i.e. January 1, 2022) and the implementation date (January 1, 2023), as well as estimated liabilities and corresponding assets related to abandonment obligations, the Company shall handle them in accordance with the provisions of Interpretation No. 16.

According to the provisions of Interpretation No. 16, the Company has adjusted the relevant items in the balance sheet as follows:

Items in the balance sheet	December 31, 2022		
	Before change	Cumulative impact amount	After change
Deferred income tax assets	353,799,123.88	14,199,194.51	367,998,318.39
Deferred income tax liabilities	16,457,392.80	14,199,194.51	30,656,587.31

According to the provisions of Interpretation No. 16, the Company has not made any adjustments to the profit statement.

(2) Changes in significant accounting estimates

Applicable Not applicable

(3) Adjustment on relevant items in the financial statements at the beginning of the year after the first implementation of the new accounting standards in 2023

Applicable Not applicable

VI. Taxes

1. Main tax category and tax rate

Tax category	Taxation basis	Tax rate
VAT	Taxable income	13%, 9%, 6%
Urban maintenance and construction taxes	Turnover tax amount payable	7%, 5%
Corporate income tax	Taxable income	25%, 17%, 16.5%, 15%, etc.
Education surcharges	Turnover tax amount payable	3%
Local education surcharges	Turnover tax amount payable	2%

The situation should be disclosed if there are different corporate income tax rates in taxpaying bodies.

Names of taxpaying bodies	Income tax rate
Inspur Electronic Information Industry Co., Ltd.	15%
Inspur (Beijing) Electronic Information Industry Co., Ltd.	15%
Guangdong Inspur Intelligent Computing Technology Co., Ltd.	15%
Inspur Power Commercial Systems Co., Ltd.	15%
Zhengzhou Yunhai Information Technology Co., Ltd.	15%
Guizhou Inspur Yingxin Technology Co., Ltd.	15%
Yunnan Inspur Computer Technology Co., Ltd.	15%
Inspur (Chengdu) Computer Technology Co., Ltd.	15%
Suzhou Yuannao Intelligent Technology Co., Ltd.	15%
Shandong Yingxin Computer Technology Co., Ltd.	15%
Inspur (Nanning) Computer Technology Co., Ltd.	9%
Jinan Inspur Yunhai Computer Technology Co., Ltd.	5%
Shaanxi Inspur Yingxin Technology Co., Ltd.	5%
Suzhou Intelligent Computing Technology Co., Ltd.	5%
Beijing Yuannao Intelligent Computing Technology Co., Ltd.	5%
Beijing Anda Yuannao Technology Co., Ltd.	5%
Suzhou Yingji Electronic Technology Co., Ltd.	5%
Inspur (Jinan) Computer Technology Co., Ltd.	5%
Guiyang Inspur Intelligent Technology Co., Ltd.	15%
Beijing Jisuan Technology Co., Ltd.	5%

Except that the Company and subsidiaries in China are applicable to the following tax preference, the Company's other subsidiaries in China are applicable to 25% of corporate income tax rate.

Foreign subsidiaries are subject to local tax rates.

2. Tax incentives

(1) Preferential tax policy for corporate income tax

The Company passed the qualification re examination for high-tech enterprises in 2023, with the high-tech enterprise certificate number of GR202337005520 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Inspur (Beijing) Electronic Information Industry Co., Ltd., passed the qualification review for high-tech enterprises in 2023, with the high-tech enterprise certificate number of GR202311008503 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Guangdong Inspur Intelligent Computing Technology Co., Ltd., passed the qualification review for high-tech enterprises in 2021, with the high-tech enterprise certificate number of GR202144012298 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Suzhou Yuannao Intelligent Technology Co., Ltd., passed the qualification certification for high-tech enterprises in 2021, with the high-tech enterprise certificate number of GR202132003077 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Shandong Yingxin Computer Technology Co., Ltd., passed the qualification certification for high-tech enterprises in 2021, with the high-tech enterprise certificate number of GR202137004939 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Inspur Power Commercial Systems Co., Ltd., passed the qualification review for high-tech enterprises in 2023, with the high-tech enterprise certificate number of GR202337008646 and a validity period of three years. The corporate income tax will be paid at a reduced rate of 15%.

Our subsidiary, Zhengzhou Yunhai Information Technology Co., Ltd., received a high-tech enterprise certificate with the number GR202341000175 in 2023, which is recognized as valid for three years and is subject to a reduced corporate income tax rate of 15%.

Our subsidiaries, Guizhou Inspur Yingxin Technology Co., Ltd., Yunnan Inspur Computer Technology Co., Ltd., Inspur (Chengdu) Computer Technology Co., Ltd., Inspur (Nanning) Computer Technology Co., Ltd., and Guiyang Inspur Intelligent Technology Co., Ltd., enjoy the national tax preferential policy for large-scale development of Western China and pay the corporate income tax at a reduced rate of 15% in accordance with the *Announcement of the Ministry of Finance, the State Administration of Taxation, and the National Development and Reform Commission on Continuing the Corporate Income Tax Policy for Large-scale Development of Western China* (Announcement No. 23 of 2020 of the Ministry of Finance, the State Administration of Taxation, and the National Development and Reform Commission).

Our subsidiary, Inspur (Nanning) Computer Technology Co., Ltd., complies with the provision of Article 6 "Implementation of Tax Incentives for Industrial Development, and Article 3" of the *Several Policy Provisions of the People's Government of Guangxi Zhuang Autonomous Region on Promoting the Open Development of Guangxi Beibu Gulf Economic Zone* (GZF [2014] No. 5), that is, "newly established industrial enterprises that comply with the provisions of Article 3 of this policy and are encouraged by the state, whose main operating income accounts for more than 50% of the total revenues, shall be exempt from local shared corporate income tax in the first to fifth years from the tax year in which the first production and operation income is obtained by the project. The corporate income tax shall be reduced by half in the sixth to seventh years". Therefore, Inspur (Nanning) Computer Technology Co., Ltd. paid corporate income tax at a reduced rate of 9% this year.

For our subsidiaries, Jinan Inspur Yunhai Computer Technology Co., Ltd., Shaanxi Inspur Yingxin Technology Co., Ltd., Beijing Yuannao Intelligent Computing Technology Co., Ltd., Beijing Jisuan Technology Co., Ltd., Beijing Anda Yuannao Technology Co., Ltd., Inspur (Jinan) Computer Technology Co., Ltd., Suzhou Yingji Electronic Technology Co., Ltd., the *Announcement of the Ministry of Finance and the State Administration of Taxation on Tax Policies related to Further Supporting the Development of Small and Micro Enterprises and Individual Businesses* (Announcement No. 12 of 2023 of the Ministry of Finance and the State Administration of Taxation), issued on August 2, 2023, stipulates that "for small low-profit enterprises, the taxable income shall be calculated at a reduced rate of 25%, and the corporate income tax policy shall be paid at a tax rate of 20%, and shall continue to be implemented until December 31, 2027".

(2) VAT preferential policies

If the Company and its related subsidiaries comply with the following policies, they will enjoy corresponding VAT incentives according to the policies:

According to the *Notice of the State Council on Issuing Several Policies to Further Encourage the Development of the Software and Integrated Circuit Industries*, issued by the State Council on January 28, 2011, the preferential policy for software value-added tax will be implemented constantly. For general VAT taxpayers who sell their self-developed and produced software products, the policy of immediate collection and refund will be implemented for the portion of their actual VAT burden exceeding 3%.

According to the relevant provisions of the *Announcement of the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs on Deepening the Reform of Value Added Tax* (Announcement No. 39 of 2019 of Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs), from April 1, 2019 to December 31, 2021, an additional 10% of the current deductible input tax amount will be added to offset the VAT payable. According to the relevant provisions of the *Announcement of the Ministry of Finance and the State Administration of Taxation on Promoting the Development of Difficult Industries in the Service Industry through Value Added Tax Policies* (Announcement No. 11 of 2022 of the Ministry of Finance and the State Administration of Taxation), the implementation period of the above-mentioned policy of adding 10% of the deductible input tax to offset the value-added tax payable has been extended to December 31, 2022.

According to the relevant provisions of the *Announcement of the Ministry of Finance and the State Administration of Taxation on Clarifying Policies for Value Added Tax Reduction and Exemption for Small scale Taxpayers* (Announcement No. 1 of 2023 of the Ministry of Finance and the State Administration of Taxation), from January 1, 2023 to December 31, 2023, taxpayers in the productive service industry are allowed to deduct 5% of the current deductible input tax to offset their taxable amount.

According to the relevant provisions of the *Announcement of the Ministry of Finance and the State Administration of Taxation on the Policy of Value added Tax Deduction for Advanced Manufacturing Enterprises* (Announcement No. 43 of the Ministry of Finance and the State Administration of Taxation in 2023), from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are allowed to add 5% of the current deductible input tax amount to reduce the payable VAT amount.

VII. Notes to Consolidated Financial Statement Items**1. Monetary capital**

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	8,798.42	31,701.63
Bank deposit	11,933,469,174.59	9,022,146,728.99
Other monetary capitals	79,384,594.05	15,162,352.35
Total	12,012,862,567.06	9,037,340,782.97
Including: Total amount of payments deposited overseas	1,551,807,335.39	1,811,922,267.28

Other descriptions:

Details of the restricted monetary capitals are as follows:

Item	Ending balance	Beginning balance
Interest payable		1,656,666.67
Deposit, etc.	79,384,594.05	11,776,793.31
Total	79,384,594.05	13,433,459.98

2. Trading financial assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets measured at the fair value with the changes included into the current profits and losses	52,289,501.70	32,761,494.45
Including:		
Equity instrument investments	44,000,000.00	24,000,000.00
Interest rate swap contract	8,289,501.70	8,761,494.45
Including:		
Total	52,289,501.70	32,761,494.45

Other descriptions:

3. Notes receivable

(1) Presentation of notes receivables in classification

Unit: RMB

Item	Ending balance	Beginning balance
Commercial acceptance bills	508,409,757.75	74,613,121.71
Total	508,409,757.75	74,613,121.71

(2) Classification disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Including:										
Notes receivable with bad-debt reserves by portfolio	532,366,238.48	100.00%	23,956,480.73	4.50%	508,409,757.75	78,540,128.12	100.00%	3,927,006.41	5.00%	74,613,121.71

Including:										
Commercial acceptance bills	532,366,238.48	100.00%	23,956,480.73	4.50%	508,409,757.75	78,540,128.12	100.00%	3,927,006.41	5.00%	74,613,121.71
Total	532,366,238.48	100.00%	23,956,480.73	4.50%	508,409,757.75	78,540,128.12	100.00%	3,927,006.41	5.00%	74,613,121.71

Withdrawal of bad-debt reserves by single item:

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Commercial acceptance bills	532,366,238.48	23,956,480.73	4.50%
Total	532,366,238.48	23,956,480.73	

Descriptions for determining the combination basis:

If the bad-debt reserves of notes receivable are made based on the general model of expected credit losses:

Applicable Not applicable

(3) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Commercial acceptance bills	3,927,006.41	20,029,474.32				23,956,480.73
Total	3,927,006.41	20,029,474.32				23,956,480.73

Thereinto, important amounts of bad-debt reserves recovered or reversed in the current period:

Applicable Not applicable

4. Accounts receivable

(1) Disclosure by account age

Unit: RMB

Account age	Ending book balance	Beginning book balance
Within 1 year (inclusive)	9,353,537,300.33	11,584,331,466.62
1-2 years	201,496,423.97	111,410,100.78
2-3 years	54,578,248.11	40,997,648.68
Over 3 years	342,629,131.22	311,963,985.91
3-4 years	34,836,948.82	17,004,394.67
4-5 years	14,360,374.92	5,145,356.33
Over 5 years	293,431,807.48	289,814,234.91
Total	9,952,241,103.63	12,048,703,201.99

(2) Classification disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Accounts receivable for which bad-debt reserves are recognized on an individual basis	302,723,667.90	3.04%	302,723,667.90	100.00%	0.00	294,984,199.70	2.45%	294,984,199.70	100.00%	
Including:										
Accounts receivable with significant single amount and separately withdrawn bad-debt reserves	294,914,604.78	2.96%	294,914,604.78	100.00%	0.00	290,006,324.81	2.41%	290,006,324.81	100.00%	0.00
Accounts receivable with non-significant single amount and separately withdrawn bad-debt reserves	7,809,063.12	0.08%	7,809,063.12	100.00%	0.00	4,977,874.89	0.04%	4,977,874.89	100.00%	0.00

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts receivable for which bad-debt reserves are recognized on a combination basis	9,649,517,435.73	96.96%	538,960,107.57	5.59%	9,110,557,328.16	11,753,719,002.29	97.55%	653,989,027.53	5.56%	11,099,729,974.76
Including:										
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	9,649,517,435.73	96.96%	538,960,107.57	5.59%	9,110,557,328.16	11,753,719,002.29	97.55%	653,989,027.53	5.56%	11,099,729,974.76
Total	9,952,241,103.63	100.00%	841,683,775.47	8.46%	9,110,557,328.16	12,048,703,201.99	100.00%	948,973,227.23	7.88%	11,099,729,974.76

Withdrawal of bad-debt reserves by single item: Accounts receivable with significant single amount and separately withdrawn bad-debt reserves

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Bad-debt reserves	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
VENEZOLANA DE INDUSTRIA TECNOLÓGICA, C.A.	290,006,324.81	290,006,324.81	294,914,604.78	294,914,604.78	100.00%	Affected by the local foreign exchange risk, it is expected that it will not be recovered
Total	290,006,324.81	290,006,324.81	294,914,604.78	294,914,604.78		

Withdrawal of bad-debt reserves by single item: Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Bad-debt reserves	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	4,977,874.89	4,977,874.89	7,809,063.12	7,809,063.12	100.00%	Expected to be unrecoverable
Total	4,977,874.89	4,977,874.89	7,809,063.12	7,809,063.12		

Withdrawal of bad-debt reserves in portfolios: Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Within 1 year	9,348,684,480.89	420,690,801.70	4.50%
1-2 years	176,707,472.64	35,341,494.54	20.00%
2-3 years	54,575,248.11	27,287,624.05	50.00%
3-4 years	34,767,442.52	27,813,954.01	80.00%
4-5 years	14,360,374.92	11,488,299.93	80.00%
Over 5 years	20,422,416.65	16,337,933.34	80.00%
Total	9,649,517,435.73	538,960,107.57	

Descriptions for determining the combination basis:

If the bad-debt reserves of accounts receivable are made based on the general model of expected credit losses:

Applicable Not applicable

(3) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Accounts receivable with significant single amount and separately withdrawn bad-debt reserves	290,006,324.81	4,852,819.44			55,460.53	294,914,604.78
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	4,977,874.89	2,831,188.23				7,809,063.12
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	653,989,027.53	298,004,824.63	407,562,813.58		5,470,931.01	538,960,107.57
Total	948,973,227.23	305,688,832.30	407,562,813.58		5,415,470.48	841,683,775.47

Thereinto, important amounts of bad-debt reserves recovered or reversed in the current period:

Unit: RMB

Unit name	Amount recovered or reversed	Reversal reason	Recovery method	Basis for determination of the original bad debt provision ratio and its rationality

(4) Actual write-off accounts receivable in the current period

Unit: RMB

Item	Written-off amount

Thereinto, conditions for write-off of important accounts receivable:

Unit: RMB

Unit name	Nature of accounts receivable	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction

Description of write-off of accounts receivable:

(5) Accounts receivable and contract assets of the top five ending balances collected by the debtor

Unit: RMB

Unit name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to the total ending balance of accounts receivable and contract assets	Bad-debt reserves of accounts receivable and ending balance of contract asset impairment
Customer 1	687,080,434.33		687,080,434.33	6.90%	30,918,619.54
Customer 2	576,851,025.88		576,851,025.88	5.80%	25,958,296.16
Customer 3	572,128,366.24		572,128,366.24	5.75%	25,745,776.48
Customer 4	567,884,439.12		567,884,439.12	5.71%	25,554,799.76
Customer 5	508,676,461.33		508,676,461.33	5.11%	22,890,440.76
Total	2,912,620,726.90		2,912,620,726.90	29.27%	131,067,932.70

5. Receivables financing

(1) Presentation of receivables financing in classification

Unit: RMB

Item	Ending balance	Beginning balance
Notes receivable measured at fair value with changes included in other comprehensive incomes	98,806,159.37	572,890,885.59
Accounts receivable measured at fair value with changes included in other comprehensive incomes		2,373,621.26
Total	98,806,159.37	575,264,506.85

6. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	65,238,433.58	80,313,219.88
Total	65,238,433.58	80,313,219.88

(1) Other receivables

1) Classification of other receivables according to the nature of payment

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Staff reserves	7,792,423.52	8,749,236.64
Deposits	11,824,320.75	8,204,448.92
Accounts receivable related to KB business	2,171,514.53	2,136,196.71
Performance bond	76,065,831.55	34,355,878.80
Intercourse funds	7,877,997.25	64,798,837.78
Other payments	10,884,862.62	3,297,135.78
Total	116,616,950.22	121,541,734.63

2) Disclosure by account age

Unit: RMB

Account age	Ending book balance	Beginning book balance
Within 1 year (inclusive)	43,116,053.68	52,572,403.01
1-2 years	14,294,705.18	13,866,076.95
2-3 years	9,521,531.58	10,134,297.28
Over 3 years	49,684,659.78	44,968,957.39
3-4 years	7,704,784.81	8,747,595.67
4-5 years	8,359,751.66	11,844,556.05
Over 5 years	33,620,123.31	24,376,805.67
Total	116,616,950.22	121,541,734.63

3) Classification disclosure by the bad debt provision method

 Applicable Not applicable

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Withdrawal of bad-debt reserves by single item	10,337,881.55	8.86%	10,337,881.55	100.00%	0.00	10,463,382.20	8.61%	10,463,382.20	100.00%	0.00
Including:										
Other receivables with expected credit impairment throughout the entire existence period	10,337,881.55	8.86%	10,337,881.55	100.00%	0.00	10,463,382.20	8.61%	10,463,382.20	100.00%	0.00
Withdrawal of bad-debt reserves in portfolios	106,279,068.67	91.14%	41,040,635.09	38.62%	65,238,433.58	111,078,352.43	91.39%	30,765,132.55	27.70%	80,313,219.88
Including:										
Other receivables reserved for bad debts in accordance with the credit risk characteristic portfolio	106,279,068.67	91.14%	41,040,635.09	38.62%	65,238,433.58	111,078,352.43	91.39%	30,765,132.55	27.70%	80,313,219.88
Total	116,616,950.22	100.00%	51,378,516.64	44.06%	65,238,433.58	121,541,734.63	100.00%	41,228,514.75	33.92%	80,313,219.88

Withdrawal of bad-debt reserves by single item: Other receivables with non-significant single amount but separately withdrawn bad-debt reserves

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Bad-debt reserves	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
Other receivables with expected credit impairment throughout the entire existence period	10,463,382.20	10,463,382.20	10,337,881.55	10,337,881.55	100.00%	Expected to be unrecoverable
Total	10,463,382.20	10,463,382.20	10,337,881.55	10,337,881.55		

Withdrawal of bad-debt reserves in portfolios Other receivables reserved for bad debts in accordance with the credit risk characteristic portfolio

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Within 1 year	43,111,704.94	1,940,026.71	4.50%
1-2 years	14,294,705.18	2,858,941.02	20.00%
2-3 years	9,521,531.58	4,760,765.80	50.00%
3-4 years	7,689,784.81	6,151,827.84	80.00%
4-5 years	8,359,751.66	6,687,801.31	80.00%
Over 5 years	23,301,590.50	18,641,272.41	80.00%
Total	106,279,068.67	41,040,635.09	

Descriptions for determining the combination basis:

Bad-debt reserves based on the general model of expected credit losses:

Unit: RMB

Bad-debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the future 12 months	Expected credit loss throughout the entire duration (credit impairment that has not occurred)	Expected credit loss throughout the entire duration (credit impairment that has occurred)	
Balance as of January 1, 2023	28,227,933.00	2,537,199.55	10,463,382.20	41,228,514.75
Balance as of January 1, 2023 in the current period				
Calculation and withdrawal in the current period	9,990,065.12	241,616.33		10,231,681.45
Reverse in the current period			160,818.47	160,818.47
Other changes	43,821.09		35,317.82	79,138.91
Balance as of December 31, 2023	38,261,819.21	2,778,815.88	10,337,881.55	51,378,516.64

Classification basis and bad debt provision ratio for each stage

Changes in the book balance with significant changes in loss reserves for the current period

Applicable Not applicable

4) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off or charge-off	Others	
Other receivables with expected credit impairment throughout the entire existence period	10,463,382.20		160,818.47		35,317.82	10,337,881.55
Other receivables reserved for bad debts in accordance with the same credit risk characteristic portfolio	30,765,132.55	10,231,681.45			43,821.09	41,040,635.09
Total	41,228,514.75	10,231,681.45	160,818.47		79,138.91	51,378,516.64

Thereinto, important amounts of bad-debt reserves reversed or recovered in the current period:

Unit: RMB

Unit name	Amount recovered or reversed	Reversal reason	Recovery method	Basis for determination of the original bad debt provision ratio and its rationality

5) Other receivables of the top five among ending balance collected by the debtor

Unit: RMB

Unit name	Nature of payment	Ending balance	Account age	Proportion of the total ending balance of other receivables	Ending balance of bad-debt reserves
Unit 1	Performance bond	17,200,907.85	Over 2 years	14.75%	13,491,857.88
Unit 2	Performance bond	7,540,191.32	Within 1 year, over 2 years	6.47%	5,299,440.89
Unit 3	Performance bond	3,830,919.22	Within 1 year	3.29%	172,391.36
Unit 4	Performance bond	3,698,000.00	1-2 years	3.17%	739,600.00
Unit 5	Performance bond	3,460,786.00	1-2 years	2.97%	692,157.20
Total		35,730,804.39		30.65%	20,395,447.33

7. Advance payment**(1) Presentation of advance payment by account age**

Unit: RMB

Account age	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	836,403,307.37	99.42%	119,037,852.36	97.30%
1-2 years	2,357,014.68	0.28%	3,277,896.32	2.68%
2-3 years	2,525,089.47	0.30%	26,279.73	0.02%
Over 3 years	330.00	0.00%		
Total	841,285,741.52		122,342,028.41	

Description for reasons of failure in timely settlement of advance payment with over 1 year of account age and important amounts:

(2) Advance payment of the top five among ending balance collected as per the advance payment object

Unit name	Ending balance	Proportion in total advance payment (%)
Total amount of the first five advance payment of ending balance	820,507,031.85	97.53

Other descriptions:

8. Inventory

Whether the Company needs to comply with real estate industry disclosure requirements

No

(1) Classification of inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Inventory falling price reserves/impairment reserves for contract performance cost	Book value	Book balance	Inventory falling price reserves/impairment reserves for contract performance cost	Book value
Raw materials	14,420,665,591.89	724,550,622.05	13,696,114,969.84	13,266,577,938.90	726,383,939.31	12,540,193,999.59
Products in progress	1,150,526,529.32		1,150,526,529.32	609,787,233.85		609,787,233.85
Inventory goods	3,859,806,988.22	121,147,299.53	3,738,659,688.69	1,843,224,143.29	87,534,764.66	1,755,689,378.63
Goods shipped in transit	529,268,137.06		529,268,137.06	119,252,158.93		119,252,158.93
Total	19,960,267,246.49	845,697,921.58	19,114,569,324.91	15,838,841,474.97	813,918,703.97	15,024,922,771.00

(2) Inventory falling price reserves and impairment reserves for contract performance cost

Unit: RMB

Item	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Calculation and withdrawal	Others	Reverse or write-off	Others	
Raw materials	726,383,939.31	549,785,322.33	1,263,875.48	552,882,515.07		724,550,622.05
Inventory goods	87,534,764.66	75,795,761.69		42,183,226.82		121,147,299.53
Total	813,918,703.97	625,581,084.02	1,263,875.48	595,065,741.89		845,697,921.58

Provision for inventory falling price reserves by portfolio

Unit: RMB

Portfolio name	End of the period			Beginning of the period		
	Ending balance	Falling price reserves	Falling price provision ratio	Beginning balance	Falling price reserves	Falling price provision ratio

Provision standards for inventory falling price reserves by portfolio

9. Other current assets

Unit: RMB

Item	Ending balance	Beginning balance
Excess VAT deduction	2,092,447,580.61	1,141,591,117.53
Prepaid taxes	8,262,478.16	163,543,956.47
Unamortized expenses	4,527,219.94	3,431,473.38
Prepaid franchise fees		4,908,098.88
Internal remittance in transit	54,108,182.61	12,528,680.30
Export tax rebate receivable	455,352,820.52	298,780,596.49
Total	2,614,698,281.84	1,624,783,923.05

Other descriptions:

10. Long-term equity investment

Unit: RMB

Investee	Beginning balance (book value)	Beginning balance of impairment reserves	Increase/decrease changes in the current period								Ending balance (book value)	Ending balance of impairment reserves
			Additional investments	Negative investments	Investment profit and loss recognized by the equity method	Adjustments of other comprehensive incomes	Other equity changes	Cash dividends or profits to be issued as announced	Provision for impairment reserves	Others		
I. Joint venture												
Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	136,266,847.32	0.00	0.00	0.00	876,281.44	0.00	0.00	0.00	0.00	0.00	137,143,128.76	0.00
Subtotal	136,266,847.32	0.00	0.00	0.00	876,281.44	0.00	0.00	0.00	0.00	0.00	137,143,128.76	0.00
II. Associated enterprise												
Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	159,182,209.85	0.00	0.00	0.00	12,033,437.77	0.00	1,872,930.66	0.00	0.00	0.00	173,088,578.28	0.00
TUNGKONG INC.	54,846,476.94	0.00	0.00	34,063,174.18	4,976,103.77	0.00	12,611,732.98	4,280,817.64	0.00	0.00	8,866,855.91	0.00

Shandong SinoChip Semiconductors Co., Ltd.	6,380,728.93	0.00	0.00	0.00	459,076.56	0.00	0.00	0.00	0.00	0.00	6,839,805.49	0.00
Shandong Huaxin Youchuang Technology Co., Ltd.	3,449,859.14	0.00	0.00	800,000.00	1,052,559.64	0.00	0.00	0.00	0.00	0.00	1,597,299.50	0.00
Jinan Xinyun High-tech Investment Partnership (Limited Partnership)	0.00	0.00	1,000,000.00	0.00	1,814.37	0.00	0.00	0.00	0.00	0.00	1,001,814.37	0.00
Shanghai Yunsilicon Technology Co., Ltd.	0.00	0.00	80,000,000.00	0.00	4,451,049.06	0.00	8,240,340.61	0.00	0.00	0.00	83,789,291.55	0.00
Subtotal	223,859,274.86	0.00	81,000,000.00	34,863,174.18	11,966,823.77	0.00	2,498,461.71	4,280,817.64	0.00	0.00	275,183,645.10	0.00
Total	360,126,122.18	0.00	81,000,000.00	34,863,174.18	12,843,105.21	0.00	2,498,461.71	4,280,817.64	0.00	0.00	412,326,773.86	0.00

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

Applicable Not applicable

Reasons for significant discrepancies between the aforementioned information and the information or external information used in previous years' impairment test

Reasons for significant discrepancies between the information used in the Company's previous annual impairment tests and the actual situation of the current year

Other descriptions:

11. Investment property

(1) Investment property measured by the cost method

Applicable Not applicable

Unit: RMB

Item	Buildings and structures	Land use right	Construction in progress	Total
I. Original book value				
1. Beginning balance	138,059,768.44			138,059,768.44
2. Amount increased in the current period				
(1) Outsourcing				
(2) Inventory\fixed assets\transferred into construction in progress				
(3) Increase due to business combination				
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	138,059,768.44			138,059,768.44
II. Accumulated depreciation and accumulated amortization				
1. Beginning balance	44,917,976.65			44,917,976.65
2. Amount increased in the current period	3,301,160.40			3,301,160.40
(1) Calculation and withdrawal or amortization	3,301,160.40			3,301,160.40

3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	48,219,137.05			48,219,137.05
III. Impairment reserves				
1. Beginning balance	4,014,480.00			4,014,480.00
2. Amount increased in the current period				
(1) Calculation and withdrawal				
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	4,014,480.00			4,014,480.00
IV. Book value				
1. Ending book value	85,826,151.39			85,826,151.39
2. Beginning book value	89,127,311.79			89,127,311.79

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

Applicable Not applicable

Reasons for significant discrepancies between the aforementioned information and the information or external information used in previous years' impairment test

Reasons for significant discrepancies between the information used in the Company's previous annual impairment tests and the actual situation of the current year

Other descriptions:

(2) Investment property measured at the fair value

Applicable Not applicable

12. Fixed assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	2,044,929,753.35	1,226,158,546.75
Liquidation of fixed assets		
Total	2,044,929,753.35	1,226,158,546.75

(1) Fixed assets

Unit: RMB

Item	Buildings and structures	Machinery and equipment	Means of transport	Electronic equipment	Other equipment	Total
I. Original book value:						
1. Beginning balance	645,430,201.19	692,638,806.50	28,635,835.15	155,715,297.68	539,283,851.69	2,061,703,992.21
2. Amount increased in the current period	895,405,443.67	96,539,225.53	38,385.64	58,707,887.68	69,838,280.99	1,120,529,223.51
(1) Acquisition	1,752,046.08	88,597,332.89		54,377,933.05	69,348,963.02	214,076,275.04
(2) Transferred into construction in progress	888,715,475.12	5,626,267.65				894,341,742.77
(3) Increase due to business combination						
(4) Other increase	4,937,922.47	2,315,624.99	38,385.64	4,329,954.63	489,317.97	12,111,205.70
3. Amount decreased in the current period		96,989,563.26	155,125.24	15,894,905.62	21,406,057.71	134,445,651.83
(1) Disposal or scrapping		96,989,563.26	155,125.24	15,894,905.62	21,406,057.71	134,445,651.83
4. Ending balance	1,540,835,644.86	692,188,468.77	28,519,095.55	198,528,279.74	587,716,074.97	3,047,787,563.89
II. Accumulated depreciation						
1. Beginning balance	110,527,374.23	311,718,233.43	23,841,391.52	114,321,270.65	244,807,950.72	805,216,220.55
2. Amount increased in the current period	30,458,785.00	94,781,214.97	857,086.04	21,919,175.98	88,746,197.46	236,762,459.45

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

(1) Calculation and withdrawal	29,829,170.27	94,504,777.47	836,407.14	21,669,313.31	88,506,504.78	235,346,172.97
(2) Other increase	629,614.73	276,437.50	20,678.90	249,862.67	239,692.68	1,416,286.48
3. Amount decreased in the current period		37,122,705.34	149,393.72	14,028,828.20	18,042,850.90	69,343,778.16
(1) Disposal or scrapping		37,122,705.34	149,393.72	14,028,828.20	18,042,850.90	69,343,778.16
4. Ending balance	140,986,159.23	369,376,743.06	24,549,083.84	122,211,618.43	315,511,297.28	972,634,901.84
III. Impairment reserves						
1. Beginning balance		8,875.54	224,118.36	911,640.06	29,184,590.95	30,329,224.91
2. Amount increased in the current period						
(1) Calculation and withdrawal						
3. Amount decreased in the current period					106,316.21	106,316.21
(1) Disposal or scrapping					106,316.21	106,316.21
4. Ending balance		8,875.54	224,118.36	911,640.06	29,078,274.74	30,222,908.70
IV. Book value						
1. Ending book value	1,399,849,485.63	322,802,850.17	3,745,893.35	75,405,021.25	243,126,502.95	2,044,929,753.35
2. Beginning book value	534,902,826.96	380,911,697.53	4,570,325.27	40,482,386.97	265,291,310.02	1,226,158,546.75

(2) Temporary idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment reserves	Book value	Remarks

(3) Fixed assets rented in through operating lease

Unit: RMB

Item	Ending book value

(4) Fixed assets without property right certificate

Unit: RMB

Item	Book value	Reason for not obtaining the property right certificate
Plant of Guiyang Inspur big Data Industrial Park	136,303,836.49	In process

Other descriptions:

(5) Impairment test of fixed asset Applicable Not applicable**(6) Liquidation of fixed assets**

Unit: RMB

Item	Ending balance	Beginning balance

Other descriptions:

13. Construction in progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	152,416,723.54	841,195,769.28
Total	152,416,723.54	841,195,769.28

(1) Construction in progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Suncun Industrial Park automation Library Project	106,940,821.76		106,940,821.76	285,709.66		285,709.66
Guiyang Inspur big Data Industrial Park	4,572,245.49		4,572,245.49	9,642,161.43		9,642,161.43
R&D Office Building				826,834,862.26		826,834,862.26
QTechEco Quality Management System Development Platform V4.0	1,338,053.00		1,338,053.00	669,026.50		669,026.50
Mobile 5G Smart Factory Project	4,214,785.39		4,214,785.39	3,764,009.43		3,764,009.43
R&D Office Building Decoration Project	7,908,986.93		7,908,986.93			
Inspur Server Stress Testing Center Construction Project	22,617,278.10		22,617,278.10			
Other sporadic projects	4,824,552.87		4,824,552.87			
Total	152,416,723.54		152,416,723.54	841,195,769.28		841,195,769.28

(2) Changes of major construction in progress in the current period

Unit: RMB

Project name	Budget	Beginning balance	Amount increased in the current period	Transfer-in amount of fixed assets in the current period	Other decreased amount in the current period	Ending balance	Proportion of accumulative engineering investment in budget	Project progress	Accumulated amount of interest capitalization	Including: Interest capitalization amount of the current period	Interest capitalization rate of the current period	Sources of funds
R&D Office Building	890,000,000.00	826,834,862.26	9,602,384.14	836,437,246.40			93.98%	100%				Others
Guiyang Inspur big Data Industrial Park	180,000,000.00	9,642,161.43	556,351.71	5,626,267.65		4,572,245.49	97.87%	94.8%	2,254,706.05			Others
R&D Office Building Decoration Project	101,370,000.00		60,187,215.65	52,278,228.72		7,908,986.93	59.37%	60%				Others
Inspur Server Stress Testing Center Construction Project	102,060,000.00		22,617,278.10			22,617,278.10	22.16%	22.00%				Others
Suncun Industrial Park automation Library Project	205,510,000.00	285,709.66	106,655,112.10			106,940,821.76	51.90%	50.00%				Others
Total	1,478,940,000.00	836,762,733.35	199,618,341.70	894,341,742.77		142,039,332.28			2,254,706.05			

(3) Calculation and withdrawal of construction in progress impairment reserve in the current period

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance	Reason for calculation and withdrawal

Other descriptions:

(4) Impairment test of construction in progress

Applicable Not applicable

14. Right-of-use assets

(1) Right-of-use assets

Unit: RMB

Item	Buildings and structures	Total
I. Original book value		
1. Beginning balance	114,535,895.69	114,535,895.69
2. Amount increased in the current period	7,219,930.24	7,219,930.24
(1) Lease	3,335,235.65	3,335,235.65
(2) Other increase	3,884,694.59	3,884,694.59
3. Amount decreased in the current period	12,165,332.57	12,165,332.57
(1) Expiration of lease	10,166,237.93	10,166,237.93
(2) Other decrease	1,999,094.64	1,999,094.64
4. Ending balance	109,590,493.36	109,590,493.36
II. Accumulated depreciation		
1. Beginning balance	33,954,995.49	33,954,995.49
2. Amount increased in the current period	42,578,078.57	42,578,078.57
(1) Calculation and withdrawal	41,876,910.62	41,876,910.62
(2) Other increase	701,167.95	701,167.95
3. Amount decreased in the current period	20,777,611.49	20,777,611.49
(1) Disposal		
(2) Expiration of lease	18,778,516.85	18,778,516.85
(3) Other decrease	1,999,094.64	1,999,094.64
4. Ending balance	55,755,462.57	55,755,462.57
III. Impairment reserves		
1. Beginning balance		
2. Amount increased in the current period		
(1) Calculation and withdrawal		

3. Amount decreased in the current period		
(1) Disposal		
4. Ending balance		
IV. Book value		
1. Ending book value	53,835,030.79	53,835,030.79
2. Beginning book value	80,580,900.20	80,580,900.20

(2) Impairment test of right-of-use assets

Applicable Not applicable

Other descriptions:

15. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use right	Patent right	Non-patented technology	Outsourced proprietary software	Total
I. Original book value					
1. Beginning balance	210,999,357.40		222,095,257.86	381,413,405.51	814,508,020.77
2. Amount increased in the current period			16,768,322.50	36,133,474.12	52,901,796.62
(1) Acquisition			16,768,322.50	35,943,732.86	52,712,055.36
(2) Internal research and development					
(3) Increase due to business combination					
(4) Other increase				189,741.26	189,741.26
3. Amount decreased in the current period	23,051,400.00			686,471.29	23,737,871.29
(1) Disposal	23,051,400.00			686,471.29	23,737,871.29
4. Ending balance	187,947,957.40		238,863,580.36	416,860,408.34	843,671,946.10

II. Accumulated amortization					
1. Beginning balance	48,754,702.89		123,191,960.99	228,876,890.01	400,823,553.89
2. Amount increased in the current period	3,909,675.72		32,665,373.23	43,594,258.53	80,169,307.48
(1) Calculation and withdrawal	3,909,675.72		32,665,373.23	43,530,880.66	80,105,929.61
(2) Other increase				63,377.87	63,377.87
3. Amount decreased in the current period	922,056.00			309,988.63	1,232,044.63
(1) Disposal	922,056.00			309,988.63	1,232,044.63
4. Ending balance	51,742,322.61		155,857,334.22	272,161,159.91	479,760,816.74
III. Impairment reserves					
1. Beginning balance				27,219,535.80	27,219,535.80
2. Amount increased in the current period				57,015.74	57,015.74
(1) Calculation and withdrawal				57,015.74	57,015.74
3. Amount decreased in the current period					
(1) Disposal					
4. Ending balance				27,276,551.54	27,276,551.54
IV. Book value					
1. Ending book value	136,205,634.79		83,006,246.14	117,422,696.89	336,634,577.82
2. Beginning book value	162,244,654.51		98,903,296.87	125,316,979.70	386,464,931.08

Proportion of intangible assets through internal research and development at the end of the current period for the intangible asset balance.

16. Goodwill**(1) Original book value of goodwill**

Unit: RMB

Name of the investee and matters generating goodwill	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Resulted from business combination		Disposal		
Inspur (Beijing) Electronic Information Industry Co., Ltd.	643,015.39					643,015.39
Total	643,015.39					643,015.39

(2) Goodwill impairment reserves

Unit: RMB

Name of the investee and matters generating goodwill	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Calculation and withdrawal		Disposal		
Total						

(3) Related information about the asset group or asset group portfolio in which the goodwill is located

Name	Composition and basis of the asset group or portfolio to which it belongs	Operating segments and basis	Whether it is consistent with previous years
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Changes in asset group or asset group portfolio

Name	Composition before the change	Composition after the change	Objective facts and basis that lead to changes
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Other descriptions

(4) Specific method for determining the recoverable amount

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

 Applicable Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

 Applicable Not applicable

Reasons for significant discrepancies between the aforementioned information and the information or external information used in previous years' impairment test

Reasons for significant discrepancies between the information used in the Company's previous annual impairment tests and the actual situation of the current year

(5) Completion of performance commitments and corresponding impairment of goodwill

When goodwill is formed, there is a performance commitment and the reporting period or the previous period in the reporting period is within the performance commitment period

Applicable Not applicable

Other descriptions:

17. Long-term unamortized expenses

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount amortized in the current period	Other decreased amount	Ending balance
Industrial park renovation fee	3,266,729.38		941,922.24		2,324,807.14
Xiamen production line chassis modification cost	1,007,513.30		1,007,513.30		
Jinan factory renovation	1,973,626.70		532,045.12		1,441,581.58
Industrial park exterior wall and LED renovation	398,256.36		191,162.89		207,093.47
NCT production line technical service fee	294,810.79		294,810.79		
Decoration fee for Building S05	5,069,965.39	93,191.80	2,689,287.93		2,473,869.26
Sporadic works in the Suncun Village factory area	11,361,932.25	4,044,045.42	4,410,514.13		10,995,463.54
Renovation of Beijing office area	1,968,717.83		742,517.09		1,226,200.74
Renovation of Jinan office area	650,185.64	691,879.70			1,342,065.34
Miscellaneous expenses	7,467,158.92	2,589,270.30	3,805,574.81		6,250,854.41
Suzhou plant renovation	51,975,796.78	2,636,265.60	21,197,913.62		33,414,148.76
Xiamen factory production network installation	14,837.44		14,837.44		
Other decoration expenses	3,269,495.91	4,422,377.32	1,513,677.13		6,178,196.10
Gangsheng Building Renovation Project	904,095.63		403,957.95		500,137.68
Guangzhou Platform Laboratory Renovation Project	447,360.63		173,171.85		274,188.78

Office Decoration Project	455,916.88	2,933,731.15	991,045.97		2,398,602.06
Total	90,526,399.83	17,410,761.29	38,909,952.26		69,027,208.86

Other descriptions:

18. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets without offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Asset impairment reserves	780,293,282.09	126,361,995.93	774,642,847.21	129,286,052.01
Unrealized profits of internal transaction	177,947,146.36	22,456,745.80	273,094,091.38	36,728,787.55
Deductible losses	884,641,800.57	132,696,270.09	10,895,453.43	2,723,863.36
Credit impairment losses	352,939,015.44	54,765,287.35	540,693,659.54	85,842,205.87
Quality assurance cost	319,080,629.11	47,862,094.37	320,651,646.27	48,097,746.95
Special subsidies	88,567,597.62	12,754,370.41	142,917,189.59	21,534,739.62
Lease	35,275,694.96	9,045,876.37	60,806,259.34	14,903,998.03
Suspense credit	142,771,618.32	21,415,742.75	192,539,500.00	28,880,925.00
Total	2,781,516,784.47	427,358,383.07	2,316,240,646.76	367,998,318.39

(2) Deferred income tax liabilities without the offset

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Differences in US corporate tax policies	7,366,210.51	2,061,065.70	21,962,763.40	6,553,688.60
One-time deduction for fixed asset depreciation	1,015,159.96	253,789.99	40,532,527.37	9,903,704.20
Depreciation of right-of-use assets	36,364,870.39	8,894,139.37	56,714,135.77	14,199,194.51
Total	44,746,240.86	11,208,995.06	119,209,426.54	30,656,587.31

(3) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	774,583,021.53	658,766,407.41
Deductible losses	658,102,048.30	418,347,902.65
Total	1,432,685,069.83	1,077,114,310.06

(4) Deductible losses of unrecognized deferred income tax assets shall expire in the following years

Unit: RMB

Year	Ending amount	Beginning amount	Remarks
2024		41,220.38	
2025	89,929,972.42	198,839,237.28	
2026	38,641,359.53	133,987,154.35	
2027	39,940,986.03	85,480,290.64	
2028	489,589,730.32		
Total	658,102,048.30	418,347,902.65	

Other descriptions:

19. Other non-current assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Advance payment for equipment	7,599,631.71		7,599,631.71	42,007,635.42		42,007,635.42
Advance payment for construction	5,206,053.87		5,206,053.87	203,263.96		203,263.96
Advance for house-purchase funds	183,939.00		183,939.00	183,939.00		183,939.00
Total	12,989,624.58		12,989,624.58	42,394,838.38		42,394,838.38

Other descriptions:

20. Assets with restricted ownership or use rights

Unit: RMB

Item	End of the period				Beginning of the period			
	Book balance	Book value	Restricted type	Restricted situation	Book balance	Book value	Restricted type	Restricted situation
Monetary capital	79,384,594.05	79,384,594.05	Deposits	Margin deposit	13,433,459.98	13,433,459.98	Deposits	Margin deposit
Fixed assets	202,713,531.74	179,585,165.63	Mortgage	Mortgage of US land and factory buildings for borrowings	199,333,398.72	181,636,957.02	Mortgage	Mortgage of US land and factory buildings for borrowings
Total	282,098,125.79	258,969,759.68			212,766,858.70	195,070,417.00		

21. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Credit borrowings	2,051,618,888.91	4,954,374,375.02
Total	2,051,618,888.91	4,954,374,375.02

Descriptions of short-term borrowing classification:

(2) Overdue and outstanding short-term loans

The amount of overdue and outstanding short-term borrowing is RMB X at the end of the period. The important overdue and outstanding short-term borrowing is shown as follows:

Unit: RMB

Borrower	Ending balance	Borrowing interest rate	Overdue time	Overdue interest rate
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Other descriptions:

22. Trading financial liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Trading financial liabilities	8,958,527.77	
Including:		
Exchange forward business	8,958,527.77	
Including:		
Total	8,958,527.77	

Other descriptions:

23. Notes payable

Unit: RMB

Category	Ending balance	Beginning balance
Commercial acceptance bills	2,714,475,714.18	1,104,801,472.30
Bank acceptance bills		96,612,750.13
Total	2,714,475,714.18	1,201,414,222.43

The total amount of unpaid notes payable at the end of the period is RMB X, and the reason for unpaid notes at maturity is .

24. Accounts payable

(1) Presentation of accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
Accounts payable for materials	9,147,665,351.01	9,343,292,647.23
Total	9,147,665,351.01	9,343,292,647.23

(2) Important accounts payable with aging more than 1 year or overdue important accounts payable

Unit: RMB

Item	Ending balance	Reasons for failing to repay or carry over

Other descriptions:

25. Other payables

Unit: RMB

Item	Ending balance	Beginning balance
Other payables	267,032,141.40	193,948,770.03
Total	267,032,141.40	193,948,770.03

(1) Other payables

1) Other payables presented by the nature of funds

Unit: RMB

Item	Ending balance	Beginning balance
Spare parts credit deposit	7,460,955.50	7,500,955.50
Collection and deduction	31,162,183.74	33,221,418.06
Unpaid expenses	162,905,518.12	70,012,288.02
Project funds	8,372,227.56	838,020.33
Intercourse funds	57,131,256.48	82,376,088.12
Total	267,032,141.40	193,948,770.03

2) Important other payables with aging of more than 1 year or overdue

Unit: RMB

Item	Ending balance	Reasons for failing to repay or carry over

3) Other payables of the top five among ending balance collected by the counterparty

Other descriptions

26. Contract liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Advances on sales	1,471,823,559.38	1,177,549,414.81
Advance collection of maintenance service fees	440,786,886.95	530,960,671.35
Total	1,912,610,446.33	1,708,510,086.16

Important contract liabilities with aging more than one year

Unit: RMB

Item	Ending balance	Reasons for failing to repay or carry over

Amount with major changes in its book value during the reporting period and its reasons

Unit: RMB

Item	Variation amount	Change reason

27. Payroll payable**(1) Presentation of payroll payable**

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
I. Short-term remuneration	593,532,551.13	3,343,422,448.18	3,042,909,236.03	894,045,763.28
II. Post-employment benefits - defined contribution plan	7,796,305.39	272,980,240.83	266,517,133.48	14,259,412.74
III. Dismissal benefits	4,421.35	531,669.67	38,333.02	497,758.00
Total	601,333,277.87	3,616,934,358.68	3,309,464,702.53	908,802,934.02

(2) Presentation of short-term remuneration

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
1. Wages, bonuses, allowances and subsidies	215,451,388.08	2,837,491,108.19	2,572,883,174.21	480,059,322.06
2. Employee services and benefits	240,703.38	25,796,054.93	25,477,256.73	559,501.58
3. Social insurance premium	2,126,083.91	138,156,868.82	134,953,794.32	5,329,158.41
Including: Medical insurance premium	1,631,616.76	129,891,879.98	126,660,332.82	4,863,163.92
Work-related injury insurance premium	98,192.65	2,197,806.62	2,229,520.76	66,478.51
Birth insurance premium	396,274.50	5,962,907.60	5,959,666.12	399,515.98
Other insurances		104,274.62	104,274.62	
4. Housing provident fund	1,165,362.00	248,317,966.35	245,633,213.87	3,850,114.48
5. Labor union funds and employees education funds	371,356,198.82	82,231,069.28	52,402,737.22	401,184,530.88
6. Short-term paid absences	3,192,814.94	11,429,380.61	11,559,059.68	3,063,135.87
Total	593,532,551.13	3,343,422,448.18	3,042,909,236.03	894,045,763.28

(3) Presentation of defined contribution plan

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
1. Basic endowment insurance	4,477,422.23	199,127,808.94	194,457,280.61	9,147,950.56
2. Unemployment insurance premium	104,348.88	8,423,137.27	8,366,670.87	160,815.28
3. Enterprise annuity payment	3,214,534.28	65,429,294.62	63,693,182.00	4,950,646.90
Total	7,796,305.39	272,980,240.83	266,517,133.48	14,259,412.74

Other descriptions:

28. Taxes payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	97,965,363.40	116,756,595.83
Corporate income tax	70,146,837.07	38,781,729.58
Individual income tax	28,722,346.87	80,981,221.99
Urban maintenance and construction taxes	23,423,699.27	3,067,299.22
Property tax	777,696.04	787,737.57
Land use tax	573,899.20	770,981.71
Education surcharges	10,386,775.03	1,600,436.71
Local education surcharges	6,322,421.05	584,713.26
Local water conservancy fund	6,171.75	7,632.24
Stamp tax	19,240,039.70	16,651,190.61
Tariff	15,833,008.68	9,799,491.33
Others	99,973.01	3,458.25
Total	273,498,231.07	269,792,488.30

Other descriptions:

29. Non-current liabilities due within one year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	1,636,193,223.62	85,592,679.06
Lease liabilities due within one year	27,402,123.03	30,075,832.17
Total	1,663,595,346.65	115,668,511.23

30. Other current liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Short-term bonds payable	2,034,346,438.35	
Output tax to be written-off	137,984,330.28	135,872,736.98
Suspense credit	142,771,618.32	192,539,500.00
Total	2,315,102,386.95	328,412,236.98

Increase or decrease of short-term bonds payable:

Unit: RMB

Name of bonds	Face value	Coupon rate	Issued date	Maturity of bonds	Amount issued	Beginning balance	Issue in the current period	Provision of interests based on face value	Amortization of premium and discount	Repayment in the current period	Ending balance	Yes No Default
23 Inspur Electronic SCP001 (Green Sci-Tech innovation)	100.00	2.46%	2023/1/9	86	1,000,000,000.00		1,000,000,000.00	5,391,780.82		1,005,391,780.82		No
23 Inspur Electronic SCP002 (Sci-Tech Innovation Notes)	100.00	2.37%	2023/3/29	270	1,000,000,000.00		1,000,000,000.00	17,483,606.56		1,017,483,606.56		No
23 Inspur Electronic SCP005 (Sci-Tech Innovation Notes)	100.00	2.33%	2023/11/7	45	1,000,000,000.00		1,000,000,000.00	2,864,754.10		1,002,864,754.10		No
23 Inspur Electronic SCP006 (Sci-Tech Innovation Notes)	100.00	2.42%	2023/11/9	46	1,000,000,000.00		1,000,000,000.00	3,041,530.05		1,003,041,530.05		No
23 Inspur Electronic SCP003 (Sci-Tech Innovation Notes)	100.00	2.52%	2023/4/25	267	1,000,000,000.00		1,000,000,000.00	17,220,273.97			1,017,220,273.97	No
23 Inspur Electronic SCP004 (Sci-Tech Innovation Notes)	100.00	2.52%	2023/4/26	267	1,000,000,000.00		1,000,000,000.00	17,126,164.38			1,017,126,164.38	No
Total					6,000,000,000.00		6,000,000,000.00	63,128,109.88		4,028,781,671.53	2,034,346,438.35	

Other descriptions:

31. Long-term borrowings

(1) Classification of long-term borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage borrowings	107,207,218.93	109,566,872.48
Guaranteed borrowings		850,000,000.00
Credit borrowings	8,019,000,000.00	3,261,962,818.63
Total	8,126,207,218.93	4,221,529,691.11

Descriptions of long-term borrowing classification:

Other descriptions, including the range of interest rate:

32. Lease liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Lease payments	55,317,125.39	91,508,840.82
Minus: Unrecognized financing expenses	-2,965,689.28	-5,068,468.30
Minus: Lease liabilities due within one year	-27,402,123.03	-30,075,832.17
Total	24,949,313.08	56,364,540.35

Other descriptions:

33. Long-term payables

Unit: RMB

Item	Ending balance	Beginning balance
Special payables	735,000.00	735,000.00
Total	735,000.00	735,000.00

(1) Presentation of the long-term payables according to the payment nature

Unit: RMB

Item	Ending balance	Beginning balance
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Other descriptions:

(2) Special payables

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance	Cause of formation
Jinan Development Zone Finance Bureau	75,000.00			75,000.00	
Shandong Provincial Department of Information Industry	660,000.00			660,000.00	
Total	735,000.00			735,000.00	

Other descriptions:

34. Estimated liabilities

Unit: RMB

Item	Ending balance	Beginning balance	Cause of formation
Product quality assurance	319,080,629.11	320,651,646.27	
Total	319,080,629.11	320,651,646.27	

Other descriptions, including description of important assumptions and estimates of important estimated liabilities:

35. Deferred incomes

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance	Cause of formation
Special subsidies	147,699,033.00	72,214,727.78	130,411,844.87	89,501,915.91	
Total	147,699,033.00	72,214,727.78	130,411,844.87	89,501,915.91	—

Other descriptions:

36. Share capital

Unit: RMB

	Beginning balance	Increase (+) and decrease (-) in this change					Ending balance
		Issuance of new shares	Share donation	Provident fund converted into share capital	Others	Subtotal	
Total number of shares	1,463,709,516.00	8,425,606.00				8,425,606.00	1,472,135,122.00

The third exercise of the equity incentive in the period resulted in an increase of 8,425,606.00 shares in the share capital.

37. Other equity instruments**(1) Basic information of outstanding preferred shares, perpetual bonds, and other financial instruments at the end of the period**

On July 23, 2020, the Company issued the Stage I 2020 medium-term notes (perpetual bonds) with a total amount of RMB 1 billion, a face value of RMB 100, and an issuance interest rate of 5.0%. The time limit is 3+N years. After deducting underwriting fees and related transaction expenses, the actual cash received was RMB 999 million.

(2) Changes in outstanding preferred shares, perpetual bonds, and other financial instruments at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Amount increased in the current period		Amount decreased in the current period		End of the period	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Perpetual bonds	10,000,000.00	999,697,169.81			10,000,000.00	999,697,169.81		
Total	10,000,000.00	999,697,169.81			10,000,000.00	999,697,169.81		

Description of the increase and decrease in other equity instruments and the reasons, and the basis of accounting treatment:

Other descriptions:

38. Capital reserves

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
Capital premium (share capital premium)	6,574,933,951.94	223,701,155.48	28,010,200.00	6,770,624,907.42
Other capital reserves	153,220,259.52	10,113,620.47	111,530,012.80	51,803,867.19
Total	6,728,154,211.46	233,814,775.95	139,540,212.80	6,822,428,774.61

Other descriptions, including the increase and decrease in the current period and reasons:

- (1) The third exercise of equity incentives resulted in an increase of RMB 124,783,224.86 in capital premium (share capital premium).
- (2) The third exercise of equity incentives resulted in an increase of RMB 98,917,930.62 in capital premium (share capital premium).
- (3) The Company merged with Huizhong IOT Hong Kong Technology Limited on November 30, 2023, and holds a 100.00% equity in Huizhong IOT Hong Kong Technology Limited. This combination is based on the purchase consideration of paying cash of RMB 14,005,100.00 and assuming debt of RMB 14,005,100.00 to Shandong Inspur Smart Building Technology Co., Ltd. The business combination under the same control has retrospectively adjusted the comparative statements, resulting in a decrease of RMB 28,010,200.00 in capital reserves for the current period.
- (4) The Company enjoys a share of net assets of Shanghai Yunsilicon Technology Co., Ltd. and TUNGKONG INC. based on its shareholding ratio. The change in net assets of the investee in the current period resulted in an increase of RMB 7,716,012.62 in other capital reserves.
- (5) The Company enjoys a long-term equity investment in Inspur Cloud Chain (Shandong) Information Technology Co., Ltd. based on its shareholding ratio. The change in net assets of the investee in the current period resulted in an increase of RMB 1,872,930.66 in other capital reserves.
- (6) When disposing of the long-term equity investment in TUNGKONG INC. accounted for using the equity method, the return on investment originally included in the capital reserves should be carried forward, resulting in a decrease of RMB 12,087,404.99 in other capital reserves.

39. Other comprehensive incomes

Unit: RMB

Item	Beginning balance	Accrual in the current period						Ending balance
		Amount incurred before income tax in the current period	Minus: Included into other comprehensive incomes at the earliest stage and transferred into the profits and losses in the current period	Minus: Included into other comprehensive incomes at the earliest stage and transferred into the retained earnings in the current period	Minus: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive incomes that cannot be reclassified into profits and losses	868,816.55							868,816.55
Changes in fair value of other equity instrument investments	868,816.55							868,816.55
II. Other comprehensive incomes that will be reclassified into the profits and losses	76,809,877.02	21,822,623.95				21,822,623.95		98,632,500.97
Including: Other comprehensive incomes that can be transferred into the profits and losses under the equity method	18,903,347.63							18,903,347.63
Translation balance of foreign currency financial statements	57,906,529.39	21,822,623.95				21,822,623.95		79,729,153.34
Total other comprehensive incomes	75,941,060.47	21,822,623.95				21,822,623.95		97,763,684.42

Other descriptions, including transferring the effective part of cash flow hedge profit and loss to initial recognition amount adjustment of hedged items:

40. Surplus reserves

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance
Statutory surplus reserves	732,093,402.35	4,212,803.00		736,306,205.35
Total	732,093,402.35	4,212,803.00		736,306,205.35

Descriptions of surplus reserves, including the increase and decrease in the current period and reasons:

41. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	7,309,025,034.04	5,628,296,600.21
Adjusted total of undistributed profits at the beginning of the period (increase +, decrease-)		14,380,356.14
Undistributed profit at the beginning of the period after adjustment	7,309,025,034.04	5,642,676,956.35
Plus: Net profit attributable to the owners of the parent company in the current period	1,782,784,322.91	2,086,197,773.98
Minus: Withdrawal of statutory surplus reserves	4,212,803.00	166,328,712.89
Common share dividends payable	219,555,407.66	203,520,983.40
Interest payable on perpetual bonds	50,000,000.00	50,000,000.00
Undistributed profits at the end of the period	8,818,041,146.29	7,309,025,034.04

Details of undistributed profit at the beginning of the period during adjustment period:

- 1) Due to retroactive adjustment for the *Accounting Standards for Business Enterprises* and its related new regulations, the affected undistributed profit at the beginning of the period is RMB.
- 2) The affected undistributed profit at the beginning of the period is RMB due to changes of accounting policy.
- 3) The affected undistributed profit at the beginning of the period is RMB due to correction of significant accounting error.
- 4) The affected undistributed profit at the beginning of the period due to the changes of combination range under the same control is RMB 14,380,356.14.
- 5) The affected undistributed profit at the beginning of the period is RMB due to other adjustments.

42. Operating income and operating cost

Unit: RMB

Item	Accrual in the current period		Accrual in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	65,632,207,616.00	59,138,863,936.32	69,360,448,869.00	61,699,848,650.35
Other businesses	234,379,940.65	115,429,131.94	274,868,226.23	160,799,374.02
Total	65,866,587,556.65	59,254,293,068.26	69,635,317,095.23	61,860,648,024.37

Whether the net profit before and after deducting non-recurring gains and losses is negative after audit

 Yes No

Breakdown information of operating income and operating cost:

Unit: RMB

Contract classification	Segment 1		Total	
	Operating income	Operating cost	Operating income	Operating cost
Business type	65,866,587,556.65	59,254,293,068.26	65,866,587,556.65	59,254,293,068.26
Including:				
Servers and components	65,239,594,371.29	58,751,583,476.25	65,239,594,371.29	58,751,583,476.25
IT terminals and bulk items	392,613,244.71	387,280,460.07	392,613,244.71	387,280,460.07
Others	234,379,940.65	115,429,131.94	234,379,940.65	115,429,131.94
Classification by operating area				
Including:				
China	56,319,484,691.69	50,462,088,938.03	56,319,484,691.69	50,462,088,938.03
Overseas	9,547,102,864.96	8,792,204,130.23	9,547,102,864.96	8,792,204,130.23
Classified by sales channel				
Including:				
Region	16,260,207,119.30	13,257,482,217.44	16,260,207,119.30	13,257,482,217.44
Industry	49,606,380,437.35	45,996,810,850.82	49,606,380,437.35	45,996,810,850.82
Total	65,866,587,556.65	59,254,293,068.26	65,866,587,556.65	59,254,293,068.26

Information related to the transaction price allocated to the remaining performance obligations:

At the end of the reporting period, the revenue from the performance obligations that have not been fulfilled or completely fulfilled under existing contract is RMB 7,099,080,090.03, of which RMB 7,099,080,090.03 is expected to be recognized as revenue in 2024, RMB is expected to be recognized as revenue in , RMB is expected to be recognized as revenue in .

43. Taxes and surcharges

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Urban maintenance and construction taxes	40,375,761.26	16,658,418.50
Education surcharges	17,388,333.61	7,200,341.60
Property tax	12,137,068.95	6,624,241.41
Land use tax	3,027,399.95	2,713,655.50
Vehicle and vessel tax	23,970.00	37,350.00
Stamp tax	69,398,092.23	66,938,148.48
Local education surcharges	11,592,089.50	4,697,461.90
Water conservancy fund	12,677.19	186,236.08
Others	51,501.54	17,291.25
Total	154,006,894.23	105,073,144.72

Other descriptions:

44. Management expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	72,655,436.03	79,460,393.54
Human resources costs	523,978,540.75	523,200,174.54
Asset holding expenses	116,527,547.99	102,556,601.60
Indirect expenses	52,192,094.58	27,453,656.49
Total	765,353,619.35	732,670,826.17

Other descriptions:

45. Sales expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	252,551,574.90	221,429,634.94
Human resources costs	1,056,074,655.56	1,118,688,085.50
Asset holding expenses	21,336,087.31	18,789,835.47
Market expansion expenses	98,736,183.83	89,217,220.45
Other expenses	26,249,005.46	61,502,953.30
Total	1,454,947,507.06	1,509,627,729.66

Other descriptions:

46. R&D expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	571,645,426.45	427,810,865.14
Human resources costs	1,781,962,598.56	1,857,377,666.44
Asset holding expenses	176,871,752.50	199,020,521.59
Indirect expenses	540,540,705.73	713,206,371.17
Total	3,071,020,483.24	3,197,415,424.34

Other descriptions:

47. Financial expenses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Interest expenditure	83,357,515.20	361,944,723.03
Interest income	-169,681,769.41	-139,629,386.14
Exchange profits and losses	-133,570,348.94	-163,502,596.97
Bank charges	17,247,445.68	24,437,494.30
Total	-202,647,157.47	83,250,234.22

Other descriptions:

48. Other incomes

Unit: RMB

Source of other incomes	Accrual in the current period	Accrual in the previous period
Asset-related special subsidies	14,881,690.73	12,258,104.36
Income-related government subsidies	162,483,794.42	211,805,852.47
Return handling charges of individual income tax	4,911,683.84	
VAT plus deduction	442,998,685.97	
Software tax refund for immediate collection and refund	92,160,434.67	106,883,923.97
Total	717,436,289.63	330,947,880.80

49. Income from changes in fair value

Unit: RMB

Source of incomes from changes in fair value	Accrual in the current period	Accrual in the previous period
Interest rate swap contract measured at the fair value with the changes included into the current profits and losses	-441,241.31	8,388,352.17
Exchange forward business measured at the fair value with the changes included into the current profits and losses	-8,958,527.77	
Total	-9,399,769.08	8,388,352.17

Other descriptions:

50. Return on investment

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Return on long-term equity investment accounted by the equity method	12,843,105.21	58,529,900.30
Return on investment from disposal of long-term equity investment	121,704,025.26	15,853.76
Return on investment from trading financial assets during the holding period	2,630,265.48	
Return on investment for disposal of trading financial assets	-10,849,659.38	16,155,202.97
Total	126,327,736.57	74,700,957.03

Other descriptions:

51. Credit impairment losses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Bad-debt losses of notes receivable	-20,029,474.32	-3,927,006.41
Bad-debt losses of accounts receivable	101,873,981.28	7,779,309.17
Bad-debt losses of other receivables	-10,070,862.98	-7,525,782.59
Total	71,773,643.98	-3,673,479.83

Other descriptions:

52. Asset impairment losses

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
I. Loss on inventory falling price and impairment loss of contract performance cost	-449,765,802.79	-385,559,227.82
IX. Impairment loss of intangible assets		-7,426,146.82
Total	-449,765,802.79	-392,985,374.64

Other descriptions:

53. Incomes from asset disposal

Unit: RMB

Source of incomes from assets disposal	Accrual in the current period	Accrual in the previous period
Gains or losses on disposal of fixed assets	-71,054.89	247,709.88
Gains or losses on disposal of right-of-use assets	-254,172.39	
Total	-325,227.28	247,709.88

54. Non-operating income

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period	Amount included into the current non-recurring profits and losses
Gains from non-monetary asset exchange	44,611.89	40,965.48	44,611.89
Special subsidies		5,000.00	
Revenue of forfeiture and compensation	4,847,862.47	6,973,234.77	4,847,862.47
Total	4,892,474.36	7,019,200.25	4,892,474.36

Other descriptions:

55. Non-operating expenditure

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period	Amount included into the current non-recurring profits and losses
Loss on non-monetary asset exchange	414,503.59	706,964.02	414,503.59
Outward donation	1,451,057.94	421,726.04	1,451,057.94
Amercement expenses	256,272.40	1,260,782.55	256,272.40
Others	1,508,970.98	680,889.06	1,508,970.98
Total	3,630,804.91	3,070,361.67	3,630,804.91

Other descriptions:

56. Income tax expenses**(1) Table of income tax expenses**

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Current income tax expenses	109,901,637.72	81,764,915.66
Deferred income tax expenses	-78,807,656.93	24,926,215.06
Total	31,093,980.79	106,691,130.72

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	Accrual in the current period
Total profits	1,826,921,682.46
Income tax expenses at statutory/applicable tax rate	274,038,252.37
Influence of different tax rates on subsidiaries	62,326,841.82
Influence of income tax before the adjustment	1,847,847.15
Influence of non-taxable incomes	-1,926,465.78
Influence of non-deductible costs, expenses and losses	5,121,710.51
Influence of deductible temporary differences or deductible losses in unrecognized deferred income tax assets in the current period	45,096,259.74
Additional deductible expenses stipulated by tax laws (additional deduction for R&D expenses)	-355,410,465.02
Income tax expenses	31,093,980.79

Other descriptions:

57. Other comprehensive incomes

Refer to Note VII. 39. Other Comprehensive incomes for details.

58. Items of cash flow statement

(1) Cash related to operating activities

Other cash received related to operating activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Special appropriation	541,067,675.07	620,118,631.50
Interest income	169,625,964.31	138,741,301.69
Deposit, etc.	466,987,745.72	166,321,169.81
Total	1,177,681,385.10	925,181,103.00

Description of other cash received related to operating activities:

Other cash paid related to operating activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Commission charges of financial institutions	17,247,445.68	24,372,395.29
Period expenses	1,937,975,696.99	1,940,080,128.67
Suspense payment	114,368,532.06	183,253,187.86
Total	2,069,591,674.73	2,147,705,711.82

Description of other cash paid related to operating activities:

(2) Cash related to investing activities

Other cash received related to investing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Refund of land deposit	6,600,000.00	
Total	6,600,000.00	

Important cash received related to investing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
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Description of other cash received related to investing activities:

Other cash paid related to investing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Disposal of cash differences in subsidiaries	324,013,484.76	
Exchange forward business	10,854,696.18	
Total	334,868,180.94	

Important cash paid related to investing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
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Description of other cash paid related to investing activities:

(3) Cash related to financing activities

Other cash received related to financing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
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Description of other cash received related to financing activities:

Other cash paid related to financing activities

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Repayment of lease liabilities	31,612,505.07	24,798,801.88
Repayment of perpetual bonds	1,000,000,000.00	
Total	1,031,612,505.07	24,798,801.88

Description of other cash paid related to financing activities:

Changes in liabilities arising from financing activities

Applicable Not applicable

(4) Description of presenting cash flows on a net basis

Item	Relevant facts	Basis for presenting net amount	Financial impact
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(5) Significant activities and financial impacts that do not involve current cash inflows and outflows but affect the financial conditions of the Company or may affect the cash flow of the Company in the future

59. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Unit: RMB

Supplementary information	Amount of the current period	Amount of the last period
1. Adjustment of the net profit into the cash flow of operating activities		
Net profit	1,795,827,701.67	2,061,515,465.02
Plus: Asset impairment reserves	377,992,158.81	396,658,854.47
Depreciation of fixed assets, waste of oil-gas assets and depreciation of productive biological assets	236,762,459.45	218,734,687.92
Depreciation of right-of-use assets	42,578,078.57	25,913,825.72
Amortization of intangible assets	80,169,307.48	125,923,887.33
Amortization of long-term unamortized expenses	38,909,952.26	33,816,070.47
Losses on disposal of fixed assets, intangible assets and other long-term assets (the income is expressed with "-")	325,227.28	-247,721.61
Losses on abandonment of fixed assets (the income is expressed with "-")	369,891.70	610,828.51
Loss on change in fair value (the income is expressed with "-")	9,399,769.08	-8,388,352.17
Financial expenses (the income is expressed with "-")	83,357,515.20	466,364,711.50
Investment loss (the income is expressed with "-")	-126,327,736.57	-74,700,957.03
Decrease in deferred income tax assets (the increase is expressed with "-")	-59,360,064.68	26,220,798.49
Increase in deferred income tax liabilities (the decrease is expressed with "-")	-19,447,592.25	-2,468,202.92
Decrease in inventories (the increase is expressed with "-")	-4,121,425,771.52	7,028,686,088.32
Decrease in operational receivable items (the increase is expressed with "-")	928,617,059.30	3,752,959,740.42
Increase in operational payable items (the decrease is expressed with "-")	1,252,635,432.68	-12,245,776,115.84
Others		7,526,882.14
Net cash flow generated from operating activities	520,383,388.46	1,813,350,490.74
2. Important investing and financing activities unrelated to cash receipts and payments		

Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents:		
Ending balance of cash	11,933,477,973.01	9,023,907,322.99
Minus: Beginning balance of cash	9,023,907,322.99	7,281,733,352.17
Plus: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	2,909,570,650.02	1,742,173,970.82

(2) Net cash paid for acquisition of the subsidiary in the current period

Unit: RMB

	Amount
Cash or cash equivalents paid in the current period for business combination in the current period	14,005,100.00
Including:	
Huizhong IOT Hong Kong Technology Limited	14,005,100.00
Minus: Cash and cash equivalents held by the subsidiary on the acquisition date	19,449,068.84
Including:	
Huizhong IOT Hong Kong Technology Limited	19,449,068.84
Including:	
Acquired net cash paid by the subsidiary	-5,443,968.84

Other descriptions:

(3) Net cash paid received for disposal of the subsidiary in the current period

Unit: RMB

	Amount
Cash or cash equivalents received from disposal of subsidiary in the current period	65,650,000.00
Including:	
Inspur Computer Technology Co., Ltd.	65,650,000.00
Minus: Cash and cash equivalents held by the subsidiary on the date of loss of control right	389,663,484.76
Including:	
Inspur Computer Technology Co., Ltd.	389,663,484.76
Including:	
Net cash received from disposal of subsidiary	-324,013,484.76

Other descriptions:

(4) Compositions of cash and cash equivalents

Item	Ending balance	Beginning balance
I. Cash	11,933,477,973.01	9,023,907,322.99
Including: Cash on hand	8,798.42	31,701.63
Bank deposit available for payment at any time	11,933,469,174.59	9,022,146,728.99
Other monetary capitals available for payment at any time		1,728,892.37
III. Balance of cash and cash equivalents at the end of the period	11,933,477,973.01	9,023,907,322.99

(5) Restricted usage scope but still classified as cash and cash equivalents

Unit: RMB

Item	Amount of the current period	Amount of the last period	Reasons for still being classified as cash and cash equivalents

(6) Monetary capitals that do not belong to cash and cash equivalents

Unit: RMB

Item	Amount of the current period	Amount of the last period	Reasons for not being classified as cash and cash equivalents
Deposit, etc.	79,384,594.05	13,433,459.98	
Total	79,384,594.05	13,433,459.98	

Other descriptions:

(7) Description of other major activities**60. Notes to items in the statement of changes in owners' equities**

Explain the item names of the "others" and the adjustment amount for adjusting the balance at the end of previous year:

61. Foreign currency monetary items**(1) Foreign currency monetary item**

Unit: RMB

Item	Balance of foreign currency at the end of the period	Conversion exchange rate	RMB balance converted at the end of the period
Monetary capital			
Including: USD	310,776,349.09	7.0827	2,201,135,647.67
EUR	2,596,092.44	7.8592	20,403,209.70
HKD	640,078.23	0.9062	580,038.89
Hungarian forint	206,285,460.94	0.02053	4,235,040.51
KRW	1,800,034,175.00	0.0055	9,900,187.96
SGD	620,954.90	5.3772	3,338,998.69
NTD	29,625,021.00	0.2312	6,849,304.86
Accounts receivable			
Including: USD	550,603,316.31	7.0827	3,899,758,108.43
EUR	496,754.97	7.8592	3,904,096.66
HKD	134,448.38	0.9062	121,839.81
NTD	5,171,985.00	0.2312	1,195,866.37
Accounts payable			
Including: USD	863,691,803.65	7.0827	6,117,269,937.71
EUR	3,129,291.69	0.9062	2,835,826.72
Long-term borrowings			
Including: USD	15,136,490.17	7.0827	107,207,218.93

Other descriptions:

(2) Descriptions of overseas operational entity, including the overseas business location, recording currency and basis of selection. In case of changes in recording currency, the reasons should also be disclosed.

Applicable Not applicable

62. Lease

(1) The Company as the lessee

Applicable Not applicable

Variable lease payments not included in the measurement of lease liabilities

Applicable Not applicable

Simplified handling of short-term leasing or leasing costs for low value assets

Applicable Not applicable

Simplified handling of short-term leasing or leasing costs for low value assets: 36,310,188.12

Situations involving after-sales and leaseback transactions

(2) The Company acts as the lessor

Operating lease as lessor

Applicable Not applicable

Financing lease as lessor

Applicable Not applicable

Annual undiscounted lease payments for the next five years

Applicable Not applicable

Adjustment for undiscounted lease receipts and net lease investments

(3) Recognition of the profit and loss of financing lease sales as a manufacturer or distributor

Applicable 0 Not applicable

63. Others

VIII. R&D Expenditure

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Direct expenses	572,745,995.28	427,810,865.14
Human resources costs	1,823,720,266.01	1,857,377,666.44
Asset holding expenses	176,871,752.50	199,020,521.59
Indirect expenses	602,602,992.70	713,206,371.17
Total	3,175,941,006.49	3,197,415,424.34
Including: Expensed R&D expenditure	3,071,020,483.24	3,197,415,424.34
Capitalized R&D expenditure	104,920,523.25	

1. R&D projects meeting capitalization conditions

Unit: RMB

Item	Beginning balance	Amount increased in the current period		Amount decreased in the current period		Ending balance
		Internal development expenditure	Others	Recognized as intangible assets	Transferred into current profits and losses	
GEN7 Platform Project		97,118,454.01				97,118,454.03
GEN8 Platform Project		7,802,069.22				7,802,069.22
Total		104,920,523.25				104,920,523.25

Significant capitalized R&D projects

Item	R&D progress	Expected completion time	Expected way of generating economic benefits	Time of capitalization	Specific basis for capitalization
GEN7 Platform Project	Development stage		Generate economic benefits through product sales	January 1, 2023	PDCP approval

Impairment reserves of development expenditure

Unit: RMB

Item	Beginning balance	Amount increased in the current period	Amount decreased in the current period	Ending balance	Impairment test
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Project name

2. Important outsourcing projects under research

Project name	Expected ways to generate economic benefits	Criteria and specific basis for determining capitalization or expensing
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Other descriptions:

IX. Changes of Consolidation Scope**1. Business combination under the same control****(1) Business combination under the same control in the current period**

Unit: RMB

Name of the combined party	Equity proportion acquired from business combination	Base for constituting business combination under the same control	Combination date	Basis for the determination of the combination date	Revenue of combined party from the beginning of combination period to combination date	Net profit of combined party from the beginning of combination period to combination date	Compare the revenue of combined party	Compare net profit of combined party
Huizhong IOT Hong Kong Technology Limited	100.00%	Controlled by the same ultimate controlling party before and after the combination	November 30, 2023	Obtaining the control right	308,004,927.21	24,313,899.13	274,988,418.55	5,846,847.54

Other descriptions:

(2) Combination cost

Unit: RMB

Combination cost	Huizhong IOT Hong Kong Technology Limited
- Cash	14,005,100.00
- Book value of non-cash assets	
- Book value of debt issued or assumed	14,005,100.00
- Face value of issued equity securities	
- Contingent consideration	

Descriptions for contingent consideration and its changes:

Other descriptions:

(3) Book value of assets and liabilities of combined party on combination date

Unit: RMB

	Huizhong IOT Hong Kong Technology Limited	
	Combination date	End of the previous period
Assets:		
Monetary capital	19,449,068.84	27,805,226.68
Account receivables	15,029,484.92	77,882,566.43
Inventory	8,111,900.43	290,834.73
Fixed assets	13,352,568.99	10,972,316.03
Intangible assets	4,739,475.94	5,566,695.09
Advance payment	5,282,082.99	2,766,180.31
Other receivables	4,359,104.14	2,453,012.68
Other current assets	38,765.86	556,326.81
Right-of-use assets	10,975,945.96	20,473,848.14
Long-term unamortized expenses	1,922,051.78	455,916.88
Deferred income tax assets	2,310,487.64	
Liabilities:		
Borrowings		
Payables		
Accounts payable	32,086,200.70	61,698,672.07
Payroll payable	7,444,849.08	9,560,640.71
Taxes payable	429,327.30	1,572,601.24
Other payables	676,361.62	806,056.16
Contract liabilities	9,477,370.55	10,526,401.68
Non-current liabilities due within one year	8,657,715.70	8,594,621.67
Other current liabilities	389,266.50	
Lease liabilities	2,894,722.48	12,327,939.51
Deferred income tax liabilities	2,195,189.19	
Net assets	21,319,934.37	44,135,990.74

Minus: Minority equity		
Net assets acquired	21,319,934.37	44,135,990.74

Contingent liabilities of the combined party undertaken in the business combination:

Other descriptions:

2. Disposal of subsidiaries

Are there any transactions or events that result in the loss of control right over a subsidiary in the current period

Yes No

Subsidiary name	Disposal price at the point of loss of control right	Disposal ratio at the point of loss of control right	Disposal method at the point of loss of control right	Time point of loss of control right	Determination basis of the time point of loss of control right	Consolidated financial statements corresponding to disposal of price and investment enjoy the balance of the share of net assets of subsidiaries	Proportion of residual equity on the date of loss of control right	Book value of the remaining equity at the consolidated financial statement level on the date of loss of control right	Fair value of the remaining equity at the consolidated financial statement level on the date of loss of control right	Gains or losses generated by re-measurement of the residual equity based on the fair value	Determination method and main assumptions for fair value of remaining equity at the consolidated financial statement level on the date of loss of control right	Amount of investment profit and loss or retained earnings transferred from other comprehensive incomes related to the equity investment of original subsidiary
Inspur Computer Technology Co., Ltd.	65,650,000.00	65.00%	Transfer	June 15, 2023	Transfer of control right	12,968,826.99	0.00%	0.00	0.00	0.00	0.00	0.00

Other descriptions:

Whether there is a case that a subsidiary investment disposed step-by-step through repeated transactions and losing the control right in the current period.

Yes No

3. Changes of consolidation scope for other reasons

Describe the changes of the consolidation scope (e.g. new subsidiaries, liquidation subsidiaries) caused by other reasons and the relevant information:

Company name	Acquisition and disposal method of subsidiaries within the reporting period	Influence on overall production, operation and performance
Inspur Computer Technology Co., Ltd.	Transfer	No significant influence
Inspur (Qingdao) Electronic Information Industry Co., Ltd.	Deregistration	No significant influence
Shanxi Inspur Electronic Information Industry Co., Ltd.	Deregistration	No significant influence
Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd.	Deregistration	No significant influence
Inspur Information (South Korea) Co., Ltd.	Newly-established	No significant influence
Beijing Jisuan Technology Co., Ltd.	Newly-established	No significant influence
Inspur Information (Turkey) Co., Ltd.	Newly-established	No significant influence
Inspur Japan	Newly-established	No significant influence
Inspur Information (Indonesia) Co., Ltd.	Newly-established	No significant influence
Suzhou Yingji Electronic Technology Co., Ltd.	Newly-established	No significant influence
Huizhong IOT Hong Kong Technology Limited and its subsidiaries	Business combination under the same control	No significant influence

4. Others**X. Equity in Other Entities****1. Equity in subsidiaries****(1) Main subsidiaries**

Unit: RMB

Subsidiary name	Registered capital	Main place of business	Registered address	Business nature	Shareholding ratio		Acquisition mode
					Direct	Indirect	
Inspur (Beijing) Electronic Information Industry Co., Ltd.	52,500,000.00	Beijing	Beijing	Sales of computer software, hardware and auxiliary equipment	100.00%		Combination
Jinan Oriental Joint Technology Development Co., Ltd.	49,000,000.00	Jinan	Jinan	Property lease, and property management	100.00%		Combination

Shandong Yingxin Computer Technology Co., Ltd.	65,000,000.00	Jinan	Jinan	Technology development, production, and sales of computer software and hardware; foreign investments with its proprietary capital		100.00%	Establishment
Zhengzhou Yunhai Information Technology Co., Ltd.	25,000,000.00	Zhengzhou	Zhengzhou	Technology development and sales of computer software and hardware		100.00%	Establishment
Suzhou Yuannao Intelligent Technology Co., Ltd.	385,000,000.00	Suzhou	Suzhou	R&D, production, and sales of computer software, hardware, and electronic components		100.00%	Establishment
Inspur (Zhengzhou) Computer Technology Co., Ltd.	50,000,000.00	Zhengzhou	Zhengzhou	Development, production and sales of computer software, hardware and auxiliary equipment		100.00%	Establishment

Unit: RMB

Description that the shareholding ratio in the subsidiary is different from the voting right proportion:

Basis of controlling the investee with half or below voting rights, or basis of not controlling the investee with above half voting rights:

For important structured entities that are included into the consolidation scope, the basis for control is:

Basis for determining whether the Company is an agent or a principal:

Other descriptions:

(2) Important non-wholly owned subsidiaries

Unit: RMB

Subsidiary name	Shareholding ratio of minority shareholders	Profits and losses belonging to minority shareholders in the current period	Dividends announced and distributed to minority shareholders in current period	Closing balance of minority equity
Inspur Power Commercial Systems Co., Ltd.	49.00%	2,965,322.09	1,053,096.56	339,397,481.10

Description that the shareholding ratio of minority shareholders in the subsidiary is different from the voting right proportion:

Other descriptions:

(3) Main financial information of important non-wholly owned subsidiaries

Unit: RMB

Subsidiary name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Inspur Power Commercial Systems Co., Ltd.	1,078,609,486.62	116,301,970.49	1,194,911,457.11	502,263,536.86		502,263,536.86	1,323,020,138.55	128,753,246.13	1,451,773,384.68	763,027,965.51		763,027,965.51

Unit: RMB

Subsidiary name	Accrual in the current period				Accrual in the previous period			
	Operating income	Net profit	Total comprehensive incomes	Cash flow generated from operating activities	Operating income	Net profit	Total comprehensive incomes	Cash flow generated from operating activities
Inspur Power Commercial Systems Co., Ltd.	571,830,018.09	6,051,677.73	6,051,677.73	232,493,388.70	1,040,861,448.80	2,387,974.06	2,387,974.06	189,905,711.17

Other descriptions:

(4) Major limitations in using conglomerate assets and liquidating conglomerate liabilities

(5) Financial support or other supports provided to structure entities incorporated into the scope of consolidated financial statements

Other descriptions:

2. Equity in joint-operation arrangement or associated enterprise

(1) Important joint ventures or associated enterprises

Name of joint venture or associated enterprise	Main place of business	Registered address	Business nature	Shareholding ratio		Accounting treatment method of the investment to joint venture or associated enterprise
				Direct	Indirect	
Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	Jinan	Jinan	Information industry investment	33.33%		Equity method
Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	Jinan	Jinan	Investment in high-tech industries	40.00%		Equity method
TUNGKONG INC.	Jinan	Jinan	Printing and record medium reproduction industry	0.57%		Equity method
Shandong SinoChip Semiconductors Co., Ltd.	Jinan	Jinan	Computer, communications and other electronic equipment manufacturing industry	10.00%		Equity method
Shandong Huaxin Yochuang Technology Co., Ltd.	Jinan	Jinan	Software and information technology service industry	10.00%		Equity method
Jinan Xinyun High-tech Investment Partnership (Limited Partnership)	Jinan	Jinan	Capital market service	50.00%		Equity method
Shanghai Yunsilicon Technology Co., Ltd.	Shanghai	Shanghai	Software and information technology service industry	7.88%		Equity method

Description of shareholding ratio in joint ventures or associated enterprises different from voting right proportion:

N/A

Basis of having significance with 20% below voting rights, or having no significance with 20% or above voting rights:

(1) The Company holds 0.566% of the equity in TUNGKONG INC., and has appointed one director and one supervisor to it. Therefore, the Company still has significant influence over it.

(2) The Company holds 10.00% equity in Shandong SinoChip Semiconductors Co., Ltd., and has appointed three directors and two supervisors to it. Therefore, the Company still has significant influence on it.

(3) The Company holds 10.00% equity in Shandong SinoChip Semiconductors Co., Ltd., and has appointed three directors and one supervisor to it. Therefore, the Company still has significant influence on it.

(2) Main financial information of important joint venture

Unit: RMB

	Ending balance/accrual in the current period	Beginning balance/accrual in the previous period
	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.
Current assets	396,271,223.31	446,117,964.79
Including: Cash and cash equivalents	91,481,415.97	95,097,132.47
Non-current assets	27,392,394.65	30,651,129.65
Total assets	423,663,617.96	476,769,094.44
Current liabilities	13,471,746.62	53,129,419.57
Non-current liabilities		18,029.76
Total liabilities	13,471,746.62	53,147,449.33
Minority equity	-1,237,514.90	14,821,103.18
Owners' equities attributable to the parent company	411,429,386.24	408,800,541.93
Net asset share calculated in shareholding ratio	137,143,128.76	136,266,847.32
Adjustment item		
- Goodwill		
- Unrealized profits of internal transaction		
- Others		
Book value of equity investment in joint ventures	137,143,128.76	136,266,847.32
Fair value of the equity investment in the joint venture with public offerings		
Operating income	3,795,875.23	113,803,390.10
Financial expenses	-1,240,726.79	-377,368.47

Income tax expenses	15,813.06	414,662.43
Net profit	2,685,125.71	153,347,401.71
Net profit from discontinuing operation		
Other comprehensive incomes		
Total comprehensive incomes	2,685,125.71	153,347,401.71
Dividends received from joint ventures in the current year		

(3) Main financial information of important associated enterprise

Unit: RMB

	Ending balance/accrual in the current period		Beginning balance/accrual in the previous period	
	Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	TUNGKONG INC.	Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	TUNGKONG INC.
Current assets	341,810,056.15	1,316,103,691.73	528,743,723.40	1,313,695,836.24
Non-current assets	91,866,038.23	896,348,486.35	17,059,691.06	933,601,546.92
Total assets	433,676,094.38	2,212,452,178.08	545,803,414.46	2,247,297,383.16
Current liabilities	954,648.67	601,370,820.80	147,847,889.84	648,859,951.03
Non-current liabilities		44,429,068.77		44,610,614.67
Total liabilities	954,648.67	645,799,889.57	147,847,889.84	693,470,565.70
Minority equity				15,787,146.86
Owners' equities attributable to the parent company	432,721,445.71	1,566,652,288.51	397,955,524.62	1,538,039,670.60
Net asset share calculated in shareholding ratio	173,088,578.28	8,866,855.91	159,182,209.85	54,846,476.94
Adjustment item				
- Goodwill				
- Unrealized profits of internal transaction				
- Others				
Book value of equity investment in associated enterprises	173,088,578.28	8,866,855.91	159,182,209.85	54,846,476.94
Fair value of the equity investment in the associated enterprise with public offerings				

Operating income	266,654,149.53	1,200,718,174.10	488,750,725.83	1,064,972,856.25
Net profit	38,742,260.08	163,417,345.96	9,312,124.29	136,442,715.61
Net profit from discontinuing operation				
Other comprehensive incomes				
Total comprehensive incomes	38,742,260.08	163,417,345.96	9,312,124.29	136,442,715.61
Dividends received from associated enterprises in the current year		4,280,817.64		5,837,478.60

Other descriptions:

XI. Special Subsidies

1. Special subsidies recognized as per receivable at the end of reporting period

Applicable Not applicable

Reasons for not receiving the expected amount of special subsidies at the expected time point

Applicable Not applicable

2. Liabilities involving special subsidies

Applicable Not applicable

Unit: RMB

Accounting item	Beginning balance	Newly increased subsidy amount in the current period	Amount included in non-operating income in the current period	Amount transferred into other incomes in the current period	Other changes in the current period	Ending balance	Related to assets/incomes
Deferred incomes	35,740,962.86			14,881,690.73		20,859,272.13	Asset-related
Deferred incomes	111,958,070.14	72,214,727.78		115,530,154.14		68,642,643.78	Income-related
Other current liabilities	192,539,500.00	340,012,118.32			389,780,000.00	142,771,618.32	Income-related

3. Special subsidies included into the current profits and losses

Applicable Not applicable

Unit: RMB

Accounting item	Accrual in the current period	Accrual in the previous period
Other incomes	177,365,485.15	330,947,880.80
Financial expenses	389,780,000.00	171,979,700.00
Non-operating income		5,000.00

Other descriptions:

XII. Risks Related to Financial Instruments

1. Various risks generated by financial instruments

1. Credit risk

Credit risk refers to the risk of financial losses incurred by the Company due to the counterparty's failure to fulfill contractual obligations. The management has established appropriate credit policies and continuously monitors the exposure to credit risk.

The Company has adopted a policy of only trading with reputable counterparties. In addition, based on the customer's financial conditions, possibility of guarantee obtained from a third party, credit records and other factors, such as the current market conditions, the Company assesses the customer's credit qualification and sets up corresponding credit period. The Company continuously monitors the notes receivable, accounts receivable balance, and collection status. For customers with poor credit records, the Company will use written reminders, shorten or cancel credit periods, etc. to ensure that the Company does not face significant credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that sufficient expected credit loss reserves have been made for relevant financial assets.

Other financial assets of the Company include monetary capitals, other receivables, etc. The credit risk of these financial assets arises from counterparty defaults, and the maximum credit risk exposure is the carrying amount of each financial asset on the balance sheet. Except for the financial guarantee made by the Company contained in "Note XIV. Commitments and Contingencies", the Company does not provide any other guarantees for credit risk that may be assumed by the Company.

The monetary capitals held by the Company are mainly deposited in state-owned holding banks and other large, medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a higher credit and a better financial standing, and do not have any major credit risk and any major loss incurred caused by the default of opposite units. The Company's policy is to control the amount of deposits held in deposits based on the market reputation, business scale, and financial background of well-known financial institutions, in order to limit the credit risk amount to any individual financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and takes into account current and future economic forecasts, such as forward-looking information such as national GDP growth rate, total infrastructure investment, and national monetary policy, etc., to adjust the expected loss rate. For long-term receivables, the Company comprehensively considers the settlement period, contractual payment period, the financial status of the debtor and the economic situation of the industry in which the debtor is located, and makes a reasonable assessment of the expected credit loss after adjusting the above forward-looking information.

As of December 31, 2023, the book balances and expected credit impairment losses of related assets are as follows:

Item	Book balance	Impairment reserves
Notes receivable	532,366,238.48	23,956,480.73
Accounts receivable	9,952,241,103.63	841,683,775.47
Other receivables	116,616,950.22	51,378,516.64
Total	10,601,224,292.33	917,018,772.84

As of December 31, 2023, the amount of financial guarantee provided by the Company to external parties is RMB 0. The management of the Company has evaluated the overdue status of the relevant borrowings under the guarantee, the financial status of the relevant borrowers and the economic situation of the industries in which they are located, and believed that the relevant credit risks have not increased significantly since the initial recognition of this part of the financial guarantee contract. Therefore, the Company measures its impairment reserves based on an amount equivalent to the expected credit loss within the next 12 months of the financial guarantee contract mentioned above. During the reporting period, the evaluation method and significant assumptions of the Company have not changed.

The main customers have reliable and good reputation, so the Company believes that these customers have no significant credit risk. Due to the extensive customer base, there is no significant credit concentration risk.

As the Company's accounts receivable risk points are distributed among multiple partners and customers, as of December 31, 2023, 29.27% of the Company's accounts receivable originated from the top five customers of the balance, and the Company does not have any significant credit concentration risk.

The biggest credit risk exposure that the Company can bear is the book value of each financial asset on the balance sheet.

The financial products invested by the company and the credit rating of the counterparty shall be higher than or equal to the Company. In view of good credit rating of the counterparty, the management of the Company did not assume the counterparty will not be able to perform its obligations.

2. Liquidity risks

Liquidity risk refers to the risk of capital shortage generated when the Company performs the obligation of settlements by the delivery of cash or other financial assets. Each subsidiary of the Company is responsible for its cash flow forecast. Based on the cash flow forecast results of each subsidiary, the Company continuously monitors its short-term and long-term funding needs at the company level to ensure the maintenance of sufficient cash reserves; it constantly monitors whether the regulations of the borrowing agreement are conformed and obtains the commitment from main financial institutions that the sufficient reserve funds are provided to ensure the short-term and long-term fund demands. In addition, the Company has entered into financing and credit agreements with major business banks to provide support for the Company's obligations related to commercial papers.

As of December 31, 2023, the Company's financial liabilities and off balance sheet guarantee items are presented as undiscounted contractual cash flows over the remaining term of the contract as follows:

Item	Ending balance				
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Short-term borrowings	2,063,745,833.35				2,063,745,833.35
Notes payable	2,714,475,714.18				2,714,475,714.18
Accounts payable	9,147,665,351.01				9,147,665,351.01
Other payables	267,032,141.40				267,032,141.40
Non-current liabilities due within one year	1,688,633,683.24				1,688,633,683.24
Long-term borrowings	220,317,473.25	2,452,250,744.49	5,870,587,610.24	111,669,388.98	8,654,825,216.96
Lease liabilities	28,794,437.40	15,811,112.81	5,803,206.32	4,908,368.86	55,317,125.39
Bonds payables	2,034,346,438.35				2,034,346,438.35
Total	18,165,011,072.18	2,468,061,857.30	5,876,390,816.56	116,577,757.84	26,626,041,503.88

3. Market risks

(1) Exchange rate risk

The Company's main operation is within China, and main business is settled in RMB. However, foreign currency assets and liabilities recognized by the Company and the future trades in foreign currency are still exposed to the exchange rate risk. The Company will constantly monitor the scale of Company's foreign currency transactions and foreign currency assets and liabilities to reduce the foreign exchange risk to the greatest extent.

(2) Interest rate risk

The Company's interest rate risk is mainly generated from bank loan. Floating rate financial liabilities make the Company face cash flows interest rate risk, while fixed rate financial liabilities make the Company face fair value interest rate risk. The Company determines the relative proportion of fixed interest rate and floating interest rate contracts in accordance with the actual market environment.

The financial department of the Company continues monitoring the Company's interest rate level. The rising of interest rate will increase the interest-bearing debt cost and the interest expenditure of interest-bearing debt with the floating interest rate that has not yet paid off by the Company, and will have a significant adverse impact on the Company's financial performance. The management will make timely adjustments to reduce the interest rate risk based on the latest market situation.

(3) Price risks

Price risk refers to the risk of market price fluctuations caused by changes in commodity prices, stock market indices, equity instrument prices, and other risk variables, in addition to exchange rate risk and interest rate risk.

2. Hedging**(1) The Company conducts hedging business for risk management**

Applicable Not applicable

(2) The Company conducts eligible hedging business and applies hedging accounting

Unit: RMB

Item	Book value related to hedged items and hedging instruments	Accumulated fair value hedging adjustments included in the recognized book value of hedged items	Sources of hedge effectiveness and hedge ineffectiveness	Impact of hedge accounting on the Company's financial statements
Type of hedging risks				
Hedging category				

Other descriptions

(3) The Company conducts hedging business for risk management and expects to achieve risk management goals, but has not applied hedging accounting

Applicable Not applicable

3. Financial assets**(1) Classification of transfer methods**

Applicable Not applicable

(2) Financial assets derecognized due to transfer

Applicable Not applicable

(3) Continued involvement in asset transfer of financial assets

Applicable Not applicable

Other descriptions

XIII. Disclosure of Fair Value

1. Period-end fair value of assets and liabilities measured at the fair value

Unit: RMB

Item	Fair value at the end of the period			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value measurement	—	—	—	—
(I) Trading financial assets		52,289,501.70		52,289,501.70
(2) Equity instrument investment		44,000,000.00		44,000,000.00
(3) Derivative financial assets		8,289,501.70		8,289,501.70
(VI) Receivables financing			98,806,159.37	98,806,159.37
Accounts receivable measured at fair value with changes included in other comprehensive incomes				
Notes receivable measured at fair value with changes included in other comprehensive incomes			98,806,159.37	98,806,159.37
Total assets continuously measured at the fair value		52,289,501.70	98,806,159.37	151,095,661.07
Foreign exchange forwards		8,958,527.77		8,958,527.77
Total liabilities continuously measured at the fair value		8,958,527.77		8,958,527.77
II. Non-continuous fair value measurement	—	—	—	—

2. For continuous and non-continuous level 2 fair value measurement item, valuation technique adopted and quantitative and qualitative information of important parameters

Financial assets measured at the fair value with the changes included into the current profits and losses are equity investments held by the Company and interest rate swap contracts purchased by subsidiaries. Financial liabilities measured at the fair value with the changes included into the current profits and losses are foreign exchange forward transactions of the Company. The Company believes that the fair value estimated using valuation techniques is reasonable and also the most appropriate value on the balance sheet date.

3. For continuous and non-continuous level 3 fair value measurement item, valuation technique adopted and quantitative and qualitative information of important parameters

For notes receivable measured at the fair value with the changes included into other comprehensive incomes, they are accepted by banks with higher credit ratings, with minimal credit risk and deferred payment risk, and a low likelihood of loss. The recoverable amount is generally determined, and the fair value is determined using the face value.

4. For continuous fair value measurement items, in case of transfer between different levels in the current period, the reasons for the transformation and the policy to determine the transition point

The above continuous fair value measurement items of the Company have not undergone any conversion between different levels in the current year.

5. Changes in valuation technique in the current period and the reasons

The fair value valuation technique of the Company's financial instruments has not changed in the current year.

6. Fair value of the financial assets and liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: account receivable, short-term borrowings, payables, non-current liabilities due within one year and long-term borrowings.

Book value of financial assets and liabilities not measured at fair value have very small difference from the fair value.

XIV. Related Parties and Related-party Transactions**1. Parent company of the Company**

There was no change in the parent company during the reporting period.

2. Parent company of the Company

For the details of subsidiary, refer to "Note IX. 1. Equity in Subsidiaries".

3. Joint ventures and associated enterprises of the Company

For important joint ventures or associated enterprise, refer to "Note X. 2. Equity in Joint-operation Arrangement or Associated Enterprise".

Conditions of other joint ventures or associated enterprises that has formed balance in the related-party transaction with the Company in the current period, or the related-party transaction in the previous period is as follows:

Name of joint venture or associated enterprise	Relationship with the Company
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Other descriptions:

4. Other related parties

Names of other related parties	Relationship of other related parties with the Company
Jinan Inspur Data Technology Co., Ltd.	Brother Company
Inspur Cisco Network Technology Co., Ltd.	Brother Company
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Brother Company
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Brother Company
Inspur Cloud Technology Co., Ltd.	Brother Company
Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	Brother Company
Shandong Inspur Digital Service Co., Ltd.	Brother Company
Diebold Financial Equipment Co., Ltd.	Brother Company
Inspur Software Group Co., Ltd.	Brother Company
Inspur Common Software Co., Ltd.	Brother Company
Inspur Software Co., Ltd.	Brother Company
Shandong Inspur Intelligent Space Technology Service Co., Ltd.	Brother Company
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Brother Company
Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	Brother Company
Inspur Hailian Yimao (Shandong) Information Technology Co., Ltd.	Brother Company
Jinan Inspur Tongda Investment Co., Ltd.	Brother Company
Inspur Software Technology Co., Ltd.	Brother Company
Shenzhen Inspur HCM Cloud Technology Co., Ltd.	Brother Company
Inspur Zhuoshu Big Data Industry Development Co., Ltd.	Brother Company
Shanghai Inspur Information Technology Co., Ltd.	Brother Company
Beijing Tongruan Technology Co., Ltd.	Brother Company
Inspur Financial Information Technology Co., Ltd.	Brother Company
Jinan Inspur Mingda Information Technology Co., Ltd.	Brother Company
Inspur Zhuyuan (Xiamen) Technology Co., Ltd.	Brother Company
Kunming Inspur Cloud Computing Industrial Park Development and Investment Co., Ltd.	Other companies

Yunnan Inspur Digital Technology Co., Ltd.	Brother Company
Metarnet TECHNOLOGIES Co., Ltd.	Brother Company
Inspur Smart City Technology Co., Ltd.	Brother Company
Shanghai Inspur Cloud Computing Service Co., Ltd.	Brother Company
Huinongyun (Beijing) Information Technology Co., Ltd.	Brother Company
Other overseas brother companies	Brother Company
Inner Mongolia Inspur Information Technology Co., Ltd.	Brother Company
Inspur (Xiamen) Electronic Technology Co., Ltd.	Brother Company
Shandong Inspur E-government Software Co., Ltd.	Brother Company
Inspur Industrial Internet Co., Ltd.	Brother Company
Shandong Healthcare Big Data Co., Ltd.	Brother Company
Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	Brother Company
Inspur Enterprise Management (Jinan) Co., Ltd.	Brother Company
Inspur Communication Information System Co., Ltd.	Brother Company
Inspur Intelligent Terminal Co., Ltd.	Brother Company
Inspur Yunzhou Industrial Internet Co., Ltd.	Brother Company
Inspur Communication Technology Co., Ltd.	Brother Company
Inspur Intelligent Technology Co., Ltd.	Brother Company
Shandong Inspur Scientific Research Institute Co., Ltd.	Brother Company
Shandong Inspur Intelligent Equipment Co., Ltd.	Brother Company
Weifang Huaguang Optoelectronics Co., Ltd.	Brother Company
Shandong Inspur Smart Building Technology Co., Ltd.	Brother Company
Shandong Huaguang Optoelectronics Co., Ltd.	Brother Company
Shandong Inspur Smart Medical Technology Co., Ltd.	Brother Company
Shandong Inspur Huaguang Optoelectronics Co., Ltd.	Brother Company
Shandong Inspur Smart Energy Technology Co., Ltd.	Brother Company
Inspur Group Finance Limited	Brother Company
Shandong Inspur New Century Technology Co., Ltd.	Brother Company
Shandong Inspur Investment Management Co., Ltd.	Brother Company
Shandong Inspur Innovation and Entrepreneurship Technology Co., Ltd.	Brother Company

Shandong Inspur Smart Culture and Tourism Industry Development Co., Ltd.	Brother Company
Shandong Huitong Financial Leasing Co., Ltd.	Brother Company
Shandong Inspur Intelligent Engineering Co., Ltd.	Brother Company
Shandong Inspur Ultra HD Intelligent Technology Co., Ltd.	Brother Company
Jinan Inspur Ultra HD Display Technology Co., Ltd.	Brother Company
Shandong Guoshuai Health Big Data Co., Ltd.	Brother Company
Inner Mongolia Zhenglian Information Technology Co., Ltd.	Brother Company
Chongqing Inspur Government Cloud Management and Operation Co., Ltd.	Brother Company
Inspur (Binzhou) Cloud Computing Co., Ltd.	Brother Company
Qiannan Inspur Cloud Technology Co., Ltd.	Brother Company
Qingdao Smart City Big Data Technology Co., Ltd.	Brother Company
Changzhi Inspur Yunhai Cloud Computing Technology Co., Ltd.	Brother Company
Anhui Inspur Sincere Information Technology Co., Ltd.	Brother Company
Shandong Inspur Commercial System Co., Ltd.	Brother Company
Shandong New Generation Information Industry Technology Research Institute Co., Ltd.	Brother Company
Inspur Enterprise Management (Jinan) Co., Ltd.	Brother Company
TimeoneTechnologyLtd	Brother Company
Jinan Inspur Huida Information Technology Co., Ltd.	Brother Company
Company B	Brother Company
VENEZOLANA DE INDUSTRIA TECNOLOGICA,C.A.	Other companies
Inspur Computer Technology Co., Ltd.	Brother Company
Inspur (Shandong) Electronic Information Co., Ltd.	Brother Company
Jiangxi Inspur Venture Capital Cloud Computing Co., Ltd.	Brother Company
Inspur (Qingdao) Technology Group Co., Ltd.	Brother Company
Guangxi Inspur Cloud Computing Service Co., Ltd.	Brother Company
Shanghai Yunxi Technology Co., Ltd.	Brother Company
Shandong Mingzhu Project Management Co., Ltd.	Brother Company
Shandong Inspur Financial Software Information Co., Ltd.	Brother Company
Shandong Inspur Senya Network Technology Co., Ltd.	Brother Company

Inspur Global Information Engineering Co., Ltd.	Brother Company
Shandong Inspur Youpai Technology Education Co., Ltd.	Brother Company
Inspur Digital Enterprise Technology Co., Ltd.	Brother Company
Shandong Aicheng Information Technology Co., Ltd.	Brother Company
Shandong Inspur Ultra HD International Trading Co., Ltd.	Brother Company
Yantai Inspur Park Operation Management Co., Ltd.	Brother Company
Xi'an Inspur Yunchuang Information Technology Co., Ltd.	Brother Company
Shandong Inspur Industry Investment Co., Ltd.	Brother Company
Liaocheng Inspur Electronic Information Co., Ltd.	Brother Company
Inspur Cloud (Guizhou) Technology Co., Ltd.	Brother Company
Jiangsu Inspur Information Technology Co., Ltd.	Brother Company
Chongqing Inspur Cloud Chain Information Technology Co., Ltd.	Brother Company

Other descriptions:

5. Related-party transaction

(1) Related-party transaction of purchasing and selling goods, providing and accepting labor services

Goods procurement/labor service acceptance

Unit: RMB

Related party	Content of related-party transaction	Accrual in the current period	Amount of approved transaction	Whether it has exceeded the transaction amount	Accrual in the previous period
Shandong SinoChip Semiconductors Co., Ltd.	Purchase of goods	16,569,333.38		No	71,270,147.91
Inspur Cisco Network Technology Co., Ltd.	Purchasing goods and accepting labor services	33,150,032.14		No	31,928,966.65
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Purchasing goods and accepting labor services	22,750,485.99		No	11,452,994.39
Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	Purchasing goods and accepting labor services	10,564,761.11		No	10,097,238.55
Company A	Acceptance of labor services	7,895,358.76		No	13,144,414.67

APPENDIX II

FINANCIAL INFORMATION OF INSUR

Jinan Inspur Data Technology Co., Ltd.	Purchasing goods and accepting labor services	39,522,944.82		No	24,854,047.63
Inspur Cloud Technology Co., Ltd.	Acceptance of labor services	14,686,810.75		No	19,369,227.36
Diebold Financial Equipment Co., Ltd.	Acceptance of labor services	4,100,235.61		No	2,404,518.23
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Acceptance of labor services	16,909,866.52		No	11,079,019.44
Inspur Software Group Co., Ltd.	Acceptance of labor services	3,792,731.01		No	4,493,284.74
Inspur Common Software Co., Ltd.	Purchasing goods and accepting labor services	3,019,912.32		No	2,085,274.64
Inspur Software Co., Ltd.	Acceptance of labor services	2,887,942.38		No	1,164,622.64
Shandong Inspur Intelligent Space Technology Service Co., Ltd.	Acceptance of labor services	2,504,008.36		No	
Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	Purchasing goods and accepting labor services	893,807.98		No	207,040.90
Shenzhen Inspur HCM Cloud Technology Co., Ltd.	Acceptance of labor services	486,241.46		No	605,581.07
Shandong Inspur Digital Service Co., Ltd.	Acceptance of labor services	4,704,793.20		No	7,958,861.35
Inspur Hailian Yimao (Shandong) Information Technology Co., Ltd.	Acceptance of labor services	755,36483		No	469,857.20
Jinan Inspur Tongda Investment Co., Ltd.	Purchasing goods and accepting labor services	630,873.63		No	2,236,885.36
Inspur Software Technology Co., Ltd.	Purchasing goods and accepting labor services	589,054.68		No	2,112,712.81

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Inspur Financial Information Technology Co., Ltd.	Purchase of goods	79,955.75		No	6,442.48
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Purchase of goods	2,499,069.18		No	2,445,004.64
Inspur Industrial Internet Co., Ltd.	Acceptance of labor services			No	1,351,419.03
Inspur Zhuoshu Big Data Industry Development Co., Ltd.	Acceptance of labor services	438,584.91		No	210,000.00
Jinan Inspur Mingda Information Technology Co., Ltd.	Purchasing goods and accepting labor services	65,552.40		No	1,953,620.29
Metarnet TECHNOLOGIES Co., Ltd.	Acceptance of labor services	26,214.53		No	197,930.08
Beijing Tongruan Technology Co., Ltd.	Acceptance of labor services	187,614.52		No	
Shanghai Inspur Cloud Computing Service Co., Ltd.	Purchase of goods	3,489.17		No	5,282.00
Huinongyun (Beijing) Information Technology Co., Ltd.	Acceptance of labor services	851.30		No	
Shanghai Inspur Information Technology Co., Ltd.	Purchasing goods and accepting labor services	188,374.96		No	9,196,069.99
Inner Mongolia Inspur Information Technology Co., Ltd.	Acceptance of labor services			No	5,821,300.02
Shandong Inspur E-government Software Co., Ltd.	Acceptance of labor services			No	1,698,113.21
Inspur Zhuyuan (Xiamen) Technology Co., Ltd.	Acceptance of labor services	41,971.70		No	377,745.28
Shandong Healthcare Big Data Co., Ltd.	Acceptance of labor services			No	181,994.35

Shandong Inspur New Infrastructure Technology Co., Ltd.	Purchase of goods	5,052.82		No	14,254,291.30
Kunming Inspur Cloud Computing Industrial Park Development and Investment Co., Ltd.	Purchase of goods	41,525.49		No	54,892.01
Inspur (Xiamen) Electronic Technology Co., Ltd.	Acceptance of labor services			No	2,790,612.36
Yunnan Inspur Digital Technology Co., Ltd.	Acceptance of labor services	37,390.98		No	31,541,791.26
Jinan Inspur High-tech Investment Development Co., Ltd.	Purchase of goods			No	5,609.68
Other overseas brother companies	Purchasing goods and accepting labor services			No	26,643,756.21

Sales of goods/provision of labor services

Unit: RMB

Related party	Content of related-party transaction	Accrual in the current period	Accrual in the previous period
Jinan Inspur Data Technology Co., Ltd.	Selling goods and providing labor services	240,293,859.66	615,490,486.33
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Selling goods and providing labor services	49,837,669.00	452,663,762.12
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Selling goods and providing labor services	18,289,106.23	93,587,161.13
Inspur Software Group Co., Ltd.	Selling goods and providing labor services	11,648,650.61	80,909,913.10
Inspur Cisco Network Technology Co., Ltd.	Selling goods and providing labor services	7,989,894.19	6,159,714.49
Other overseas brother companies	Sales of goods	8,001,960.41	58,587,285.34
Shandong SinoChip Semiconductors Co., Ltd.	Sales of goods	7,545,507.62	1,838,053.10

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Inspur Common Software Co., Ltd.	Selling goods and providing labor services	4,295,967.97	46,393,643.45
Inspur Software Technology Co., Ltd.	Selling goods and providing labor services	2,337,888.71	6,773,416.22
Inspur Software Co., Ltd.	Selling goods and providing labor services	1,784,003.45	41,647,972.24
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Selling goods and providing labor services	1,493,039.58	1,396,053.79
Inspur Cloud Technology Co., Ltd.	Provision of labor services	946,998.84	4,008,421.38
Inspur Communication Information System Co., Ltd.	Selling goods and providing labor services	643,142.78	53,774,336.03
Inspur Intelligent Terminal Co., Ltd.	Provision of labor services	868,816.03	675,447.17
Shandong Inspur Intelligent Space Technology Service Co., Ltd.	Provision of labor services	15,653.75	8,458.49
Shandong Inspur Digital Service Co., Ltd.	Provision of labor services	838,531.92	1,964,927.43
Inspur Industrial Internet Co., Ltd.	Selling goods and providing labor services	660,740.03	2,303,411.14
Company A	Property supporting services	703,404.52	747,197.11
Inspur Communication Technology Co., Ltd.	Selling goods and providing labor services	274,339.92	4,815,330.13
Inspur Zhuoshu Big Data Industry Development Co., Ltd.	Selling goods and providing labor services	272,154.37	314,507.94
Shandong Inspur New Infrastructure Technology Co., Ltd.	Provision of labor services	265,970.20	82,559,887.27
Inspur Intelligent Technology Co., Ltd.	Provision of labor services	263,471.80	6,135.00
Shandong Inspur Scientific Research Institute Co., Ltd.	Provision of labor services	105,372.38	213,396.22
Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	Selling goods and providing labor services	64,598.50	28,659.04
Weifang Huaguang Optoelectronics Co., Ltd.	Provision of labor services	45,529.92	171,175.14
Shandong Inspur Smart Building Technology Co., Ltd.	Provision of labor services		154,372.63
Shandong Huaguang Optoelectronics Co., Ltd.	Provision of labor services	35,032.09	120,484.40

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Inspur Hailian Yimao (Shandong) Information Technology Co., Ltd.	Provision of labor services	30,054.13	
Shandong Inspur Smart Medical Technology Co., Ltd.	Provision of labor services	29,300.04	758.00
Shandong Inspur Huaguang Optoelectronics Co., Ltd.	Provision of labor services	22,647.01	92,817.82
Shandong Inspur Digital Energy Technology Co., Ltd.	Provision of labor services	20,035.78	
Inspur Group Finance Limited	Provision of labor services	11,163.21	21,886.79
Shandong Inspur New Century Technology Co., Ltd.	Provision of labor services	14,494.72	45,205.66
Shandong Inspur Investment Management Co., Ltd.	Provision of labor services	12,781.57	5,754.71
Shandong Inspur Innovation and Entrepreneurship Technology Co., Ltd.	Provision of labor services	12,228.06	21,851.89
Shandong Inspur Smart Culture and Tourism Industry Development Co., Ltd.	Provision of labor services	11,986.02	17,017.92
Yunnan Inspur Digital Technology Co., Ltd.	Provision of labor services	7,849.06	11,425.75
Shandong Huitong Financial Leasing Co., Ltd.	Provision of labor services	6,564.11	17,634.47
Shandong Inspur Intelligent Engineering Co., Ltd.	Provision of labor services	3,102.94	8,415.09
Inspur Financial Information Technology Co., Ltd.	Provision of labor services		1,147,924.53
Shandong Guoshuai Health Big Data Co., Ltd.	Provision of labor services		288,111.32
Shanghai Inspur Cloud Computing Service Co., Ltd.	Selling goods and providing labor services		149,397.21
Inner Mongolia Zhenglian Information Technology Co., Ltd.	Provision of labor services		93,266.98
Jinan Inspur Tongda Investment Co., Ltd.	Selling goods and providing labor services		65,165.43
Chongqing Inspur Government Cloud Management and Operation Co., Ltd.	Sales of goods		58,814.14
Inspur (Binzhou) Cloud Computing Co., Ltd.	Sales of goods		11,575.22

Qiannan Inspur Cloud Technology Co., Ltd.	Sales of goods		6,663.71
Qingdao Smart City Big Data Technology Co., Ltd.	Provision of labor services		5,271.00
Changzhi Inspur Yunhai Cloud Computing Technology Co., Ltd.	Sales of goods		3,823.01
Metarnet TECHNOLOGIES Co., Ltd.	Sales of goods		1,057.90
Anhui Inspur Sincere Information Technology Co., Ltd.	Sales of goods		796.46
Shandong Healthcare Big Data Co., Ltd.	Provision of labor services		793.50

Related-party transaction of purchasing and selling goods, providing and accepting labor services

(2) Related-party lease

The Company acts as the lessor:

Unit: RMB

Name of the leasee	Types of lease assets	Lease income recognized in the current period	Lease income recognized in the previous period
Shandong Inspur Intelligent Equipment Co., Ltd.	Rent and property	2,303,489.58	1,305,658.62
Jinan Inspur Ultra HD Display Technology Co., Ltd.	Rent and property	958,268.63	
Shandong Inspur Ultra HD Video Industry Co., Ltd.	Rent and property	293,795.90	801,572.12
Inspur Cisco Network Technology Co., Ltd.	Rent and property	283,930.51	396,382.43
Shandong Inspur Cloud Service Information Technology Co., Ltd.	Rent and property	82,910.95	120,816.56
Shandong Inspur Ultra HD Intelligent Technology Co., Ltd.	Rent and property	36,199.76	
Inspur Intelligent Terminal Co., Ltd.	Rent and property	61.90	
Inspur Software Technology Co., Ltd.	Rent and property		1,768,667.98
Inspur Financial Information Technology Co., Ltd.	Rent and property		1,023,550.97
Shandong Inspur Commercial System Co., Ltd.	Rent and property		57,965.71

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Shandong New Generation Information Industry Technology Research Institute Co., Ltd.	Rent and property		20,783.87
Company A	Rent and property		1,424,457.32
Inspur Software Co., Ltd.	Rent and property		181,659.16
Total		3,958,657.23	7,101,514.74

The Company acts as the lessee:

Unit: RMB

Name of the lessor	Types of lease assets	Simplified rent for short-term leases and low-value asset leases (if applicable)		Variable lease payments not included into the measurement of lease liabilities (if applicable)		Rent paid		Interest expenditure of lease liabilities undertaken		Right-of-use assets added	
		Accrual in the current period	Accrual in the previous period	Accrual in the current period	Accrual in the previous period	Accrual in the current period	Accrual in the previous period	Accrual in the current period	Accrual in the previous period	Accrual in the current period	Accrual in the previous period
Shandong Inspur Intelligent Space Technology Service Co., Ltd.	Rent and property	17,935,075.56				12,205,679.64					
Company A	Rent and property	13,967,419.92	13,655,918.64			5,588,637.07	9,936,247.27				
Inspur Enterprise Management (Jinan) Co., Ltd.	Rent and property	8,908,472.60									
Jinan Inspur Mingda Information Technology Co., Ltd.	Rent and property	5,264,064.72	6,165,714.07			2,322,091.91	6,538,562.60				
Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	Rent and property	4,421,393.32	1,418,850.27			765,822.18	1,251,505.91				
Jinan Inspur Tongda Investment Co., Ltd.	Rent and property	3,523,636.21	8,395,371.32			2,842,112.87	8,395,371.32				
Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	Rent and property	2,773,573.92	7,580,617.03			1,932,719.18	4,889,755.57				

Inspur (Xiamen) Electronic Technology Co., Ltd.	Rent and property	1,326,251.19									
Timeone Technology Ltd	Rent and property	786,469.30	586,690.50			786,469.30	585,179.81				
Metarnet TECHNOLOGIES Co., Ltd.	Rent and property	764,121.64	3,421,213.41			764,121.64	3,421,213.41				
Jinan Inspur Huida Information Technology Co., Ltd.	Rent and property	428,038.67	484,310.27			212,260.27	361,940.98				
Company B	Rent and property		26,698.98				26,698.98				
Total		60,098,517.05	41,735,384.49			27,419,914.06	35,406,475.85				

Description of related-party lease

(3) Related-party guarantee

The Company acts as the guarantor

Unit: RMB

Guaranteed party	Amount guaranteed	Start date of guarantee	Maturity date of guarantee	Whether the guarantee is mature
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The Company acts as the guaranteed party

Unit: RMB

Guarantor	Amount guaranteed	Start date of guarantee	Maturity date of guarantee	Whether the guarantee is mature
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Description of related-party guarantee

(4) Fund inter-bank lending of related party

Unit: RMB

Related party	Lending amount	Start date	Maturity date	Description
Borrowing				
Lending				

(5) Asset transfer and debt restructuring of related parties

Unit: RMB

Related party	Content of related-party transaction	Accrual in the current period	Accrual in the previous period

(6) Remuneration of key management personnel

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Remuneration of key management personnel	41,640,880.75	32,146,854.66

(7) Other related-party transactions**6. Receivables and payables of related parties****(1) Receivables**

Unit: RMB

Project name	Related party	Ending balance		Beginning balance	
		Book balance	Bad-debt reserves	Book balance	Bad-debt reserves
Accounts receivable	VENEZOLANA DE INDUSTRIA TECNOLOGICA, C.A.	295,316,233.24	295,316,233.24	290,006,324.81	290,006,324.81
Accounts receivable	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	74,845,816.67	11,964,263.18	83,515,288.38	4,175,764.42
Accounts receivable	Inspur Software Co., Ltd.	28,507,531.56	5,924,551.62	28,643,183.70	2,188,555.35
Accounts receivable	Jinan Inspur Data Technology Co., Ltd.	27,870,453.66	1,548,221.04	74,423,143.48	3,721,157.17
Accounts receivable	Company A	19,162,222.14	11,503,468.79	19,197,459.83	7,540,855.86
Accounts receivable	Inspur Software Group Co., Ltd.	5,525,684.87	465,717.03	6,084,793.06	304,239.65
Accounts receivable	Other overseas brother companies	3,663,583.50	500,739.12	72,246,805.99	12,813,043.01

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts receivable	Shandong Inspur Ultra HD Video Industry Co., Ltd.	3,235,413.87	145,753.82	1,651,213.47	82,560.67
Accounts receivable	Inspur Software Technology Co., Ltd.	2,076,977.09	143,495.74	2,676,451.09	264,548.47
Accounts receivable	Inspur Computer Technology Co., Ltd.	2,903,685.38	130,665.84	0.00	0.00
Accounts receivable	Shandong Inspur Intelligent Equipment Co., Ltd.	1,401,596.85	63,071.86	1,736,520.86	86,826.04
Accounts receivable	Shandong SinoChip Semiconductors Co., Ltd.	1,200,606.05	54,027.27	0.00	0.00
Accounts receivable	Inspur Common Software Co., Ltd.	1,186,317.42	53,384.28	3,183,056.23	822,927.23
Accounts receivable	Shanghai Inspur Cloud Computing Service Co., Ltd.	978,158.87	56,596.77	978,158.87	183,457.94
Accounts receivable	Jinan Inspur Ultra HD Display Technology Co., Ltd.	548,361.58	24,676.27	0.00	0.00
Accounts receivable	Inspur Cisco Network Technology Co., Ltd.	470,685.00	21,180.83	489,929.32	24,496.47
Accounts receivable	Shandong Inspur Intelligent Space Technology Service Co., Ltd.	422,159.24	18,997.17	8,966.00	448.30
Accounts receivable	Inspur Zhuoshu Big Data Industry Development Co., Ltd.	195,105.41	8,779.74	197,670.51	9,883.53
Accounts receivable	Inspur Cloud Technology Co., Ltd.	179,833.79	8,092.52	1,177,066.79	58,853.34
Accounts receivable	Shandong Guoshuai Health Big Data Co., Ltd.	136,500.00	27,300.00	171,698.00	8,584.90
Accounts receivable	Inspur (Shandong) Electronic Information Co., Ltd.	54,775.51	43,820.41	54,775.51	43,820.41

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts receivable	Inner Mongolia Zhenglian Information Technology Co., Ltd.	45,563.00	9,112.60	45,563.00	2,278.15
Accounts receivable	Shandong Inspur Ultra HD Intelligent Technology Co., Ltd.	37,842.92	1,702.93	0.00	0.00
Accounts receivable	Inspur Industrial Internet Co., Ltd.	30,250.10	1,361.25	524,030.16	27,832.85
Accounts receivable	Shandong Inspur Digital Energy Technology Co., Ltd.	21,237.92	955.71	0.00	0.00
Accounts receivable	Jiangxi Inspur Venture Capital Cloud Computing Co., Ltd.	20,326.86	16,261.49	20,326.86	10,163.43
Accounts receivable	Qingdao Smart City Big Data Technology Co., Ltd.	9,854.51	3,761.16	9,854.51	1,970.90
Accounts receivable	Shandong Inspur New Infrastructure Technology Co., Ltd.	5,424.25	244.09	275,445.83	13,772.29
Accounts receivable	Shandong Inspur Smart Building Technology Co., Ltd.	5,114.83	230.17	48,151.83	2,407.59
Accounts receivable	Inspur Communication Information System Co., Ltd.	6,427.73	1,312.48	13,431,536.69	672,593.29
Accounts receivable	Inspur (Qingdao) Technology Group Co., Ltd.	4,438.64	2,219.32	4,438.64	887.73
Accounts receivable	Yunnan Inspur Digital Technology Co., Ltd.	4,350.00	195.75	0.00	0.00
Accounts receivable	Shandong Inspur Scientific Research Institute Co., Ltd.	542.40	24.41	0.00	0.00
Accounts receivable	Shandong Inspur Digital Service Co., Ltd.	381.71	17.18	727,646.71	36,382.34
Accounts receivable	Inspur Intelligent Terminal Co., Ltd.	65.00	2.93	715,974.00	35,798.70

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts receivable	Guangxi Inspur Cloud Computing Service Co., Ltd.	0.00	0.00	6,274.64	1,254.93
Accounts receivable	Jinan Inspur Tongda Investment Co., Ltd.	0.00	0.00	46,291.00	2,314.55
Accounts receivable	Inspur Communication Technology Co., Ltd.	0.00	0.00	214,463.00	10,723.15
Accounts receivable	Shandong Huitong Financial Leasing Co., Ltd.	0.00	0.00	21,605.85	1,080.29
Accounts receivable	Shandong Inspur Cloud Service Information Technology Co., Ltd.	0.00	0.00	6,250,429.86	312,521.49
Accounts receivable	Shandong Huaguang Optoelectronics Co., Ltd.	0.00	0.00	29,813.46	1,490.67
Accounts receivable	Shandong Inspur Innovation and Entrepreneurship Technology Co., Ltd.	0.00	0.00	12,163.00	608.15
Accounts receivable	Shandong Inspur Huaguang Optoelectronics Co., Ltd.	0.00	0.00	20,686.89	1,034.34
Accounts receivable	Shandong Inspur New Century Technology Co., Ltd.	0.00	0.00	14,818.00	740.90
Accounts receivable	Shandong Inspur Smart Culture and Tourism Industry Development Co., Ltd.	0.00	0.00	6,839.00	341.95
Accounts receivable	Shandong Inspur Smart Medical Technology Co., Ltd.	0.00	0.00	856.54	42.83
Accounts receivable	Shandong Inspur Intelligent Engineering Co., Ltd.	0.00	0.00	8,920.00	446.00

APPENDIX II
FINANCIAL INFORMATION OF INSPUR

Accounts receivable	Shandong New Generation Information Industry Technology Research Institute Co., Ltd.	0.00	0.00	2,702.70	135.14
Accounts receivable	Shanghai Yunxi Technology Co., Ltd.	0.00	0.00	485.90	24.30
Accounts receivable	Weifang Huaguang Optoelectronics Co., Ltd.	0.00	0.00	39,345.65	1,967.28
Advance payment	Inspur Financial Information Technology Co., Ltd.	7,280.00	0.00	7,280.00	0.00
Advance payment	Jinan Inspur Mingda Information Technology Co., Ltd.	7,980.25	0.00	8,880.25	0.00
Advance payment	Inspur Software Technology Co., Ltd.	453,362.87	0.00	0.00	0.00
Advance payment	Inspur Communication Information System Co., Ltd.	0.00	0.00	600,000.00	0.00
Advance payment	Kunming Inspur Cloud Computing Industrial Park Development and Investment Co., Ltd.	0.00	0.00	5,244.79	0.00
Advance payment	Shandong Inspur Digital Service Co., Ltd.	0.00	0.00	193,400.00	0.00
Advance payment	Inspur Cisco Network Technology Co., Ltd.	0.00	0.00	2,340.95	0.00
Advance payment	Shandong Mingzhu Project Management Co., Ltd.	0.00	0.00	780,000.00	0.00
Advance payment	Yunnan Inspur Digital Technology Co., Ltd.	0.00	0.00	15,684.63	0.00
Advance payment	Company A	0.00	0.00	419,260.35	0.00

Advance payment	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	0.00	0.00	4,280.00	0.00
Other receivables	Company A	2,942,462.31	816,664.37	2,421,423.00	484,232.60
Other receivables	Shandong Inspur New Infrastructure Technology Co., Ltd.	216,264.19	43,252.84	213,932.06	14,411.80
Other receivables	Shandong Inspur Financial Software Information Co., Ltd.	179,307.65	143,446.12	179,307.65	143,446.12
Other receivables	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	92,382.23	73,905.78	92,382.23	73,905.78
Other receivables	Inspur (Shandong) Electronic Information Co., Ltd.	28,236.29	22,589.03	27,406.29	21,925.03
Other receivables	Shandong Inspur Cloud Service Information Technology Co., Ltd.	7,710.60	6,168.48	7,710.60	6,168.48
Other receivables	Other overseas brother companies	2,524.40	1,262.20	2,524.40	694.21
Other receivables	Shandong Inspur Senya Network Technology Co., Ltd.	2,197.26	1,757.81	2,197.26	1,757.81
Other receivables	Shandong Inspur Digital Service Co., Ltd.	2,132.70	1,706.16	2,132.70	1,237.83
Other receivables	Shandong Inspur New Century Technology Co., Ltd.	1,099.58	879.66	1,099.58	879.66
Other receivables	Shandong Huaguang Optoelectronics Co., Ltd.	856.73	685.38	856.73	685.38
Other receivables	Beijing Tongruan Technology Co., Ltd.	110,000.00	88,000.00	110,000.00	88,000.00

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Other receivables	Inspur Software Co., Ltd.	675,559.76	158,474.47	675,559.76	368,421.32
Other receivables	Inspur Software Group Co., Ltd.	7,873,229.04	5,565,871.07	7,502,153.32	5,075,172.66
Other receivables	Inspur Global Information Engineering Co., Ltd.	136,059.38	6,122.64	0.00	0.00
Other receivables	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	0.00	0.00	36,798.28	1,839.91
Other receivables	Shanghai Inspur Information Technology Co., Ltd.	0.00	0.00	20,000.00	1,000.00
Other receivables	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	0.00	0.00	5,600.00	280.00
Other receivables	Shandong Inspur Ultra HD Intelligent Technology Co., Ltd.	3,128.00	140.76	0.00	0.00
Other receivables	Inner Mongolia Zhenglian Information Technology Co., Ltd.	19,452.08	875.34	0.00	0.00
Other receivables	Shandong SinoChip Semiconductors Co., Ltd.	36,806.58	1,656.30	0.00	0.00
Other receivables	Inspur Intelligent Technology Co., Ltd.	73,127.73	3,290.75	0.00	0.00
Other receivables	Inner Mongolia Inspur Information Technology Co., Ltd.	116,512.48	5,243.06	0.00	0.00
Other receivables	Inspur Industrial Internet Co., Ltd.	167,377.38	7,531.98	0.00	0.00
Other receivables	Inspur Software Technology Co., Ltd.	341,129.54	15,350.83	0.00	0.00

Other receivables	Inspur Yunzhou Industrial Internet Co., Ltd.	603,087.36	27,138.93	0.00	0.00
Other receivables	Shandong Inspur Intelligent Space Technology Service Co., Ltd.	482,462.24	21,710.80	0.00	0.00
Other receivables	Shandong Inspur Youpai Technology Education Co., Ltd.	1,453.18	65.39	0.00	0.00

(2) Payables

Unit: RMB

Project name	Related party	Ending book balance	Beginning book balance
Accounts payable	Jinan Inspur Mingda Information Technology Co., Ltd.	0.00	167,936.02
Accounts payable	Jinan Inspur Data Technology Co., Ltd.	11,570,451.36	8,940,278.29
Accounts payable	Inspur (Qingdao) Technology Group Co., Ltd.	3,755.94	7,611.50
Accounts payable	Inspur Industrial Internet Co., Ltd.	0.00	765,734.08
Accounts payable	Company A	255,567.17	2,019,466.72
Accounts payable	Inspur Computer Technology Co., Ltd.	938,233.00	51,969.03
Accounts payable	Inspur Financial Information Technology Co., Ltd.	7,280.00	7,269.23
Accounts payable	Inspur Global Information Engineering Co., Ltd.	911,375.60	0.00
Accounts payable	Inspur Software Co., Ltd.	2,087,421.96	632,054.04
Accounts payable	Inspur Software Group Co., Ltd.	22,003,938.54	14,422,138.46
Accounts payable	Inspur Software Technology Co., Ltd.	28,132.58	614,109.07
Accounts payable	Inspur Digital Enterprise Technology Co., Ltd.	305,660.38	0.00
Accounts payable	Inspur Cisco Network Technology Co., Ltd.	2,532,355.34	8,202.05
Accounts payable	Inspur Communication Information System Co., Ltd.	182,661.90	280,862.26
Accounts payable	Inspur Common Software Co., Ltd.	963,183.03	4,087,740.22

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts payable	Inspur Cloud Technology Co., Ltd.	6,174,663.38	33,354.09
Accounts payable	Inspur Zhuoshu Big Data Industry Development Co., Ltd.	283,824.53	48,000.00
Accounts payable	Shandong Aicheng Information Technology Co., Ltd.	100,000.00	100,000.00
Accounts payable	Shandong SinoChip Semiconductors Co., Ltd.	300,048.22	1,496.28
Accounts payable	Shandong Huitong Financial Leasing Co., Ltd.	5,331,939.52	0.00
Accounts payable	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	0.00	162,937.05
Accounts payable	Shandong Inspur Ultra HD International Trading Co., Ltd.	1,556,015.08	0.00
Accounts payable	Shandong Inspur Ultra HD Video Industry Co., Ltd.	13,449.43	2,539,606.25
Accounts payable	Shandong Inspur Digital Service Co., Ltd.	639,967.60	837,333.20
Accounts payable	Shandong Inspur New Infrastructure Technology Co., Ltd.	47,695.06	68,603.38
Accounts payable	Shandong Inspur Cloud Service Information Technology Co., Ltd.	150.00	144,798.46
Accounts payable	Shandong Inspur Smart Building Technology Co., Ltd.	13,893,488.47	0.00
Accounts payable	Inspur Zhuyuan (Xiamen) Technology Co., Ltd.	44,490.00	41,971.70
Accounts payable	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	2,301,542.85	4,395,726.55
Accounts payable	Shanghai Inspur Cloud Computing Service Co., Ltd.	5,968.66	145,989.66
Accounts payable	Shenzhen Inspur HCM Cloud Technology Co., Ltd.	2,334,339.62	0.00
Accounts payable	Yantai Inspur Park Operation Management Co., Ltd.	21,096.00	21,096.00
Accounts payable	Yunnan Inspur Digital Technology Co., Ltd.	0.00	133,672.56

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts payable	Xi'an Inspur Yunchuang Information Technology Co., Ltd.	0.00	1.77
Accounts payable	Shanghai Inspur Information Technology Co., Ltd.	0.00	15,292.42
Accounts payable	Shandong Inspur Capital Investment Co., Ltd.	0.00	8.76
Accounts payable	Shandong Mingzhu Project Management Co., Ltd.	0.00	0.01
Accounts payable	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	0.00	536,283.19
Accounts payable	Shandong Inspur Youpai Technology Education Co., Ltd.	0.00	231.65
Accounts payable	Shandong Inspur E-government Software Co., Ltd.	0.00	672.57
Accounts payable	Inner Mongolia Inspur Information Technology Co., Ltd.	0.00	156,935.23
Accounts payable	Liaocheng Inspur Electronic Information Co., Ltd.	0.00	0.02
Accounts payable	Inspur Cloud (Guizhou) Technology Co., Ltd.	0.00	947,035.40
Accounts payable	Inspur Communication Technology Co., Ltd.	0.00	212,743.36
Accounts payable	Inspur Hailian Yimao (Shandong) Information Technology Co., Ltd.	0.00	26,858.92
Accounts payable	Other overseas brother companies	1,072,090.06	7,285,329.97
Accounts payable	Inspur (Xiamen) Electronic Technology Co., Ltd.	0.00	725,713.12
Accounts payable	Jinan Inspur Tongda Investment Co., Ltd.	0.00	99,399.28
Accounts payable	Metarnet TECHNOLOGIES Co., Ltd.	0.00	239,406.40
Accounts payable	Beijing Tongruan Technology Co., Ltd.	0.00	11,650.56
Accounts payable	Diebold Financial Equipment Co., Ltd.	0.00	188,786.76
Accounts payable	Guangxi Inspur Cloud Computing Service Co., Ltd.	0.00	5,552.78

APPENDIX II

FINANCIAL INFORMATION OF INSPUR

Accounts payable	Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	0.00	747,810.57
Accounts payable	Jinan Inspur Huida Information Technology Co., Ltd.	0.00	78,618.27
Other payables	Other overseas brother companies	39,851.48	1,920,300.80
Other payables	Metarnet TECHNOLOGIES Co., Ltd.	378,087.29	239,406.40
Other payables	Beijing Tongruan Technology Co., Ltd.	0.00	11,650.56
Other payables	Diebold Financial Equipment Co., Ltd.	10,000.00	179,937.20
Other payables	Huinongyun (Beijing) Information Technology Co., Ltd.	109.00	0.00
Other payables	Jinan Inspur Photoelectric Technology Park Investment Co., Ltd.	0.00	747,810.57
Other payables	Jinan Inspur Huida Information Technology Co., Ltd.	48,873.51	78,618.27
Other payables	Jinan Inspur Mingda Information Technology Co., Ltd.	1,075,748.77	167,936.02
Other payables	Jinan Inspur Tongda Investment Co., Ltd.	82,953.24	99,399.28
Other payables	Jiangsu Inspur Information Technology Co., Ltd.	37,675.51	0.00
Other payables	Inspur (Qingdao) Technology Group Co., Ltd.	3,855.56	3,855.56
Other payables	Inspur (Xiamen) Electronic Technology Co., Ltd.	542,646.12	725,713.12
Other payables	Inspur Computer Technology Co., Ltd.	417,152.49	0.00
Other payables	Inspur Industrial Internet Co., Ltd.	9,652.32	765,734.08
Other payables	Inspur Hailian Yimao (Shandong) Information Technology Co., Ltd.	15,001.42	26,858.92
Other payables	Company A	11,918,157.41	679,898.95
Other payables	Inspur Enterprise Management (Jinan) Co., Ltd.	3,015,903.43	0.00

Other payables	Inspur Software Co., Ltd.	125,850.00	125,850.00
Other payables	Inspur Software Group Co., Ltd.	3,133.49	365.00
Other payables	Inspur Software Technology Co., Ltd.	480,951.96	159,216.49
Other payables	Inspur Cisco Network Technology Co., Ltd.	378,000.01	0.00
Other payables	Inspur Communication Information System Co., Ltd.	1,334.19	0.00
Other payables	Inspur Cloud Technology Co., Ltd.	406,048.72	0.00
Other payables	Inspur Zhuoshu Big Data Industry Development Co., Ltd.	156,000.00	0.00
Other payables	Shandong SinoChip Semiconductors Co., Ltd.	166,642.67	0.00
Other payables	Shandong Inspur Ultra HD Video Industry Co., Ltd.	70,098.18	70,098.18
Other payables	Shandong Inspur Ultra HD Intelligent Technology Co., Ltd.	213,495.60	0.00
Other payables	Inspur Industrial Internet Co., Ltd.	99,172.31	0.00
Other payables	Shandong Inspur Digital Service Co., Ltd.	251,570.53	219,179.79
Other payables	Shandong Inspur New Infrastructure Technology Co., Ltd.	0.00	3,209.20
Other payables	Shandong Inspur Cloud Service Information Technology Co., Ltd.	98,815.86	144,312.11
Other payables	Shandong Inspur Intelligent Space Technology Service Co., Ltd.	235,523.13	0.00
Other payables	Shanghai Inspur Information Technology Co., Ltd.	140,327.78	0.00
Other payables	Shanghai Inspur Cloud Computing Service Co., Ltd.	56,492.38	56,492.38
Other payables	Yunnan Inspur Digital Technology Co., Ltd.	3,711.09	0.00
Other payables	Chongqing Inspur Cloud Chain Information Technology Co., Ltd.	254,708.68	0.00

Other payables	Shandong Mingzhu Project Management Co., Ltd.	0.00	0.01
Other payables	Shandong Inspur Youpai Technology Education Co., Ltd.	0.00	231.65
Other payables	Shandong Inspur Capital Investment Co., Ltd.	0.00	8.76
Contract liabilities	Other overseas brother companies	5,351,181.00	5,365,029.17
Contract liabilities	Shandong Yunhai Guochuang Cloud Computing Equipment Industry Innovation Center Co., Ltd.	3,537,800.00	4,395,726.55
Contract liabilities	Inspur Software Group Co., Ltd.	3,416,815.96	14,053,375.60
Contract liabilities	Inspur Communication Information System Co., Ltd.	1,152,983.08	98,200.36
Contract liabilities	Shandong Inspur Ultra HD Video Industry Co., Ltd.	1,092,053.74	11,054.00
Contract liabilities	Company A	962,291.49	1,086,539.28
Contract liabilities	Inspur Cloud (Guizhou) Technology Co., Ltd.	947,035.40	947,035.40
Contract liabilities	Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	536,283.19	536,283.19
Contract liabilities	Shandong Inspur Cloud Service Information Technology Co., Ltd.	426,804.80	0.00
Contract liabilities	Inspur Computer Technology Co., Ltd.	194,427.75	0.00
Contract liabilities	Inspur Communication Technology Co., Ltd.	183,364.93	212,743.36
Contract liabilities	Yunnan Inspur Digital Technology Co., Ltd.	169,609.67	133,672.56
Contract liabilities	Inspur Cisco Network Technology Co., Ltd.	166,231.95	0.00
Contract liabilities	Inner Mongolia Inspur Information Technology Co., Ltd.	156,935.23	156,935.23
Contract liabilities	Inspur Common Software Co., Ltd.	124,638.37	2,584,840.21
Contract liabilities	Inspur Software Co., Ltd.	274,996.07	220,741.04

Contract liabilities	Jinan Inspur Data Technology Co., Ltd.	102,623.01	102,623.01
Contract liabilities	Shandong Inspur Aigou Cloud Chain Information Technology Co., Ltd.	86,221.24	60,281.23
Contract liabilities	Shanghai Inspur Cloud Computing Service Co., Ltd.	81,191.03	81,191.03
Contract liabilities	Inspur (Shandong) Electronic Information Co., Ltd.	51,969.03	51,969.03
Contract liabilities	Inspur Industrial Internet Co., Ltd.	49,986.21	0.00
Contract liabilities	Inspur Cloud Technology Co., Ltd.	33,353.71	33,353.71
Contract liabilities	Shanghai Inspur Information Technology Co., Ltd.	15,292.42	15,292.42
Contract liabilities	Shandong SinoChip Semiconductors Co., Ltd.	1,496.28	1,496.28
Contract liabilities	Shandong Inspur E-government Software Co., Ltd.	672.57	672.57
Contract liabilities	Xi'an Inspur Yunchuang Information Technology Co., Ltd.	1.77	1.77
Contract liabilities	Inspur Financial Information Technology Co., Ltd.	0.11	0.11
Contract liabilities	Shandong Inspur New Infrastructure Technology Co., Ltd.	0.03	17,699.12
Contract liabilities	Liaocheng Inspur Electronic Information Co., Ltd.	0.02	0.02
Contract liabilities	Diebold Financial Equipment Co., Ltd.	0.00	8,849.56
Contract liabilities	Guangxi Inspur Cloud Computing Service Co., Ltd.	0.00	5,552.78
Contract liabilities	Shandong Inspur Digital Service Co., Ltd.	515.63	515.63

7. Commitment of related parties

8. Others

XV. Share-based Payment**1. Overall situation of share-based payment**

Applicable Not applicable

Unit: RMB

Grant object category	Granted in the current period		Vested in the current period		Released in the current period		Invalid in the current period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Senior executives, middle-level personnel, and core backbone personnel			8,425,606	98,917,930.62				
Total			8,425,606	98,917,930.62				

Stock options or other equity instruments issued to the public at the end of the period

Applicable Not applicable

Other descriptions:

2. Share-based payment settled by equity

Applicable Not applicable

Unit: RMB

Determination method of fair value of equity instruments on grant date	Black-Scholes model
Determination basis of the quantity of vesting equity instruments	Determine the best estimate of the number of grants that may be exercised by the incentive object
Cumulative amount of share-based payment in equity included in capital reserves	811,751,696.48
Total expenses recognized by share-based payment in equity in current period	0.00

Other descriptions:

3. Share-based payment settled by cash

Applicable Not applicable

4. Current share-based payment expenses

Applicable Not applicable

5. Modification and termination of share-based payment**6. Others**

XVI. Commitments and Contingencies**1. Important commitments** **Important commitments existing on the balance sheet date**

The Company has no important commitments to be disclosed.

2. Contingencies**(1) Important contingencies existing on the balance sheet date**

On the balance sheet date, the total amount of unexpired guarantees issued by the Company is RMB 859,608,785.36.

(2) The Company shall also give the indication for no important contingencies to be disclosed.

The Company has no important contingencies to be disclosed.

3. Others**XVII. Events after the Balance Sheet Date****1. Important non-adjusting amount**

Unit: RMB

Item	Contents	Influence number on financial conditions and operating results	Reasons for inestimable influence number
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2. Profit distribution

Proposed distribution of dividends per 10 shares (RMB)	1.30		
Dividend payout for every 10 shares declared after review and approval (RMB)	1.30		
Profit distribution plan	The Company plans to distribute a cash dividend of RMB 1.30 (including tax) per 10 shares to all shareholders based on the existing total share capital of 1,472,135,122.00 shares, totaling RMB 191,377,565.86.		

3. Description of other events after the balance sheet date

Except for the above-mentioned events after the balance sheet date, as of the date of approval for the financial report, the Company has no other significant events after the balance sheet date that should be disclosed but not disclosed

XVIII. Notes to Main Items of Financial Statements of Parent Company**1. Accounts receivable****(1) Disclosure by account age**

Unit: RMB

Account age	Ending book balance	Beginning book balance
Within 1 year (inclusive)	12,580,009,645.31	16,023,738,262.97
1-2 years	3,305,275,987.26	158,798,596.02
2-3 years	107,491,047.21	130,170,481.61
Over 3 years	26,827,973.56	10,102,518.24
3-4 years	17,363,716.50	409,505.15
4-5 years	365,398.59	1,842,046.53
Over 5 years	9,098,858.47	7,850,966.56
Total	16,019,604,653.34	16,322,809,858.84

(2) Classification disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Accounts receivable for which bad-debt reserves are recognized on an individual basis	7,809,063.12	0.05%	7,809,063.12	100.00%	0.00	4,977,874.89	0.03%	4,977,874.89	100.00%	0.00
Including:										
Accounts receivable with non-significant single amount and separately withdrawn bad-debt reserves	7,809,063.12	0.05%	7,809,063.12	100.00%	0.00	4,977,874.89	0.03%	4,977,874.89	100.00%	0.00
Accounts receivable for which bad-debt reserves are recognized on a combination basis	16,011,795,590.22	99.95%	257,615,401.56	1.61%	15,754,180,188.66	16,317,831,983.95	99.97%	385,070,739.40	2.36%	15,932,761,244.55

Including:										
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	16,011,795,590.22	99.95%	257,615,401.56	1.61%	15,754,180,188.66	16,317,831,983.95	99.97%	385,070,739.40	2.36%	15,932,761,244.55
Total	16,019,604,653.34	100.00%	265,424,464.68	1.66%	15,754,180,188.66	16,322,809,858.84	100.00%	390,048,614.29	2.39%	15,932,761,244.55

Withdrawal of bad-debt reserves by single item: Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves

Unit: RMB

Name	Beginning balance		Ending balance			
	Book balance	Bad-debt reserves	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
Accounts receivable with non-significant single amount but separately withdrawn bad-debt reserves	4,977,874.89	4,977,874.89	7,809,063.12	7,809,063.12	100.00%	Expected to be unrecoverable
Total	4,977,874.89	4,977,874.89	7,809,063.12	7,809,063.12		

Withdrawal of bad-debt reserves in portfolios: Portfolio of related parties within the consolidation scope

Unit: RMB

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Portfolio of related parties within the consolidation scope	11,349,024,434.98		0.00%
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	4,662,771,155.24	257,615,401.56	5.52%
Total	16,011,795,590.22	257,615,401.56	

Descriptions for determining the combination basis:

If the bad-debt reserves of accounts receivable are made based on the general model of expected credit losses:

Applicable Not applicable

(3) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off	Others	
Accounts receivable with non-significant single amount and separately withdrawn bad-debt reserves	4,977,874.89	2,831,188.23				7,809,063.12
Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio	385,070,739.40	147,249,968.92	274,705,306.76			257,615,401.56
Total	390,048,614.29	150,081,157.15	274,705,306.76			265,424,464.68

Thereinto, important amounts of bad-debt reserves recovered or reversed in the current period:

Unit: RMB

Unit name	Amount recovered or reversed	Reversal reason	Recovery method	Basis for determination of the original bad debt provision ratio and its rationality

(4) Actual write-off accounts receivable in the current period

Unit: RMB

Item	Written-off amount

Thereinto, conditions for write-off of important accounts receivable:

Unit: RMB

Unit name	Nature of accounts receivable	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction

Description of write-off of accounts receivable:

(5) Accounts receivable and contract assets of the top five ending balances collected by the debtor

Unit: RMB

Unit name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to the total ending balance of accounts receivable and contract assets	Bad-debt reserves of accounts receivable and ending balance of contract asset impairment
Customer 1	9,126,833,442.52		9,126,833,442.52	56.97%	
Customer 2	1,267,836,887.85		1,267,836,887.85	7.91%	
Customer 3	687,080,434.33		687,080,434.33	4.29%	30,918,619.54
Customer 4	567,884,439.12		567,884,439.12	3.54%	25,554,799.76
Customer 5	341,160,499.75		341,160,499.75	2.13%	15,352,222.49
Total	11,990,795,703.57		11,990,795,703.57	74.84%	71,825,641.79

2. Other receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	55,848,171.21	74,457,902.89
Total	55,848,171.21	74,457,902.89

(1) Other receivables

1) Classification of other receivables according to the nature of payment

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Staff reserves	3,717,287.74	4,597,850.98
Deposits	271,952.22	85,665.22
Intercourse funds	4,365,019.67	2,423,643.81
Other payments	3,485,629.77	7,185,351.51
Performance bond	65,046,406.74	53,114,038.01
Payments of related parties within the consolidation scope	10,703,620.20	34,058,249.72
Total	87,589,916.34	101,464,799.25

2) Disclosure by account age

Unit: RMB

Account age	Ending book balance	Beginning book balance
Within 1 year (inclusive)	39,009,890.30	59,703,920.04
1-2 years	12,876,377.35	6,419,878.88
2-3 years	4,256,043.37	8,859,598.74
Over 3 years	31,447,605.32	26,481,401.59
3-4 years	7,741,393.20	7,108,173.00
4-5 years	6,702,081.33	6,731,594.14
Over 5 years	17,004,130.79	12,641,634.45
Total	87,589,916.34	101,464,799.25

3) Classification disclosure by the bad debt provision method

Unit: RMB

Type	Ending balance					Beginning balance				
	Book balance		Bad-debt reserves		Book value	Book balance		Bad-debt reserves		Book value
	Amount	Proportion	Amount	Calculation and withdrawing proportion		Amount	Proportion	Amount	Calculation and withdrawing proportion	
Withdrawal of bad-debt reserves by single item	5,166,367.02	5.90%	5,166,367.02	100.00%			5,327,185.49	5.25%	5,327,185.49	100.00%
Including:										
Other receivables with non-significant single amount but separately withdrawn bad-debt reserves	5,166,367.02	5.90%	5,166,367.02	100.00%			5,327,185.49	5.25%	5,327,185.49	100.00%
Withdrawal of bad-debt reserves in portfolios	82,423,549.32	94.10%	26,575,378.11	32.24%	55,848,171.21	96,137,613.76	94.75%	21,679,710.87	22.55%	74,457,902.89

Including:										
Other receivables reserved for bad debts in accordance with the credit risk characteristic portfolio	82,423,549.32	94.10%	26,575,378.11	32.24%	55,848,171.21	96,137,613.76	94.75%	21,679,710.87	22.55%	74,457,902.89
Total	87,589,916.34	100.00%	31,741,745.13	36.24%	55,848,171.21	101,464,799.25	100.00%	27,006,896.36	26.62%	74,457,902.89

Withdrawal of bad-debt reserves by single item: Other receivables with non-significant single amount but separately withdrawn bad-debt reserves

Name	Beginning balance		Ending balance			
	Book balance	Bad-debt reserves	Book balance	Bad-debt reserves	Calculation and withdrawing proportion	Reasons for calculation and withdrawal
Other receivables with non-significant single amount but separately withdrawn bad-debt reserves	5,327,185.49	5,327,185.49	5,166,367.02	5,166,367.02	100.00%	Expected to be unrecoverable
Total	5,327,185.49	5,327,185.49	5,166,367.02	5,166,367.02		

Withdrawal of bad-debt reserves in portfolios Accounts receivable reserved for bad debts in accordance with the credit risk characteristic portfolio

Name	Ending balance		
	Book balance	Bad-debt reserves	Calculation and withdrawing proportion
Including: Accounts receivable from related parties within the consolidation scope	10,703,620.20		
Amounts receivable from other customers	71,719,929.12	26,575,378.11	37.05%
Total	82,423,549.32	26,575,378.11	

Descriptions for determining the combination basis:

Bad-debt reserves based on the general model of expected credit losses:

Unit: RMB

Bad-debt reserves	Stage I	Stage II	Stage III	Total
	Expected credit loss in the future 12 months	Expected credit loss throughout the entire duration (credit impairment that has not occurred)	Expected credit loss throughout the entire duration (credit impairment that has occurred)	
Balance as of January 1, 2023	20,285,624.23	1,394,086.64	5,327,185.49	27,006,896.36
Balance as of January 1, 2023 in the current period				
Calculation and withdrawal in the current period	4,812,477.93	83,189.31		4,895,667.24
Reverse in the current period			160,818.47	160,818.47
Balance as of December 31, 2023	25,098,102.16	1,477,275.95	5,166,367.02	31,741,745.13

Classification basis and bad debt provision ratio for each stage

Changes in the book balance with significant changes in loss reserves for the current period

Applicable Not applicable

4) Bad-debt reserves of withdrawing, recovery or restitution in the current period

Calculation and withdrawal of bad-debt reserves in the current period:

Unit: RMB

Type	Beginning balance	Changed amount in the current period				Ending balance
		Calculation and withdrawal	Recover or reverse	Write-off or charge-off	Others	
Other receivables with expected credit impairment throughout the entire existence period	5,327,185.49	-160,818.47				5,166,367.02
Other receivables reserved for bad debts in accordance with the same credit risk characteristic portfolio	21,679,710.87	4,895,667.24				26,575,378.11
Total	27,006,896.36	4,734,848.77				31,741,745.13

Thereinto, important amounts of bad-debt reserves reversed or recovered in the current period:

Unit: RMB

Unit name	Amount recovered or reversed	Reversal reason	Recovery method	Basis for determination of the original bad debt provision ratio and its rationality

5) Other receivables actually written off in current period

Unit: RMB

Item	Written-off amount

Thereinto, conditions for write-off of important other receivables:

Unit: RMB

Unit name	Nature of other receivables	Written-off amount	Reasons for write-off	Write-off procedures performed	Whether the fund generates from related-party transaction

Write-off descriptions of other receivables:

6) Other receivables of the top five among ending balance collected by the debtor

Unit: RMB

Unit name	Nature of payment	Ending balance	Account age	Proportion of the total ending balance of other receivables	Ending balance of bad-debt reserves
Unit 1	Performance bond	17,200,907.85	Over 2 years	19.64%	13,491,857.88
Unit 2	Related parties within the consolidation scope	9,383,668.65	Within 1 year	10.71%	
Unit 3	Performance bond	3,830,919.22	Within 1 year	4.37%	172,391.36
Unit 4	Performance bond	3,698,000.00	1-2 years	4.22%	739,600.00
Unit 5	Performance bond	3,460,786.00	1-2 years	3.95%	692,157.20
Total		37,574,281.72		42.89%	15,096,006.44

7) Reported as other receivables due to centralized fund management

Other descriptions

3. Long-term equity investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Investment in subsidiaries	2,594,936,357.77		2,594,936,357.77	2,580,265,850.38		2,580,265,850.38
Investment in associated enterprises and joint ventures	412,326,773.86		412,326,773.86	360,126,122.18		360,126,122.18
Total	3,007,263,131.63		3,007,263,131.63	2,940,391,972.56		2,940,391,972.56

(1) Investment in important subsidiaries

Unit: RMB

Investee	Beginning balance (book value)	Beginning balance of impairment reserves	Increase/decrease changes in the current period				Ending balance (book value)	Ending balance of impairment reserves
			Additional investments	Negative investments	Provision for impairment reserves	Others		
Inspur (Beijing) Electronic Information Industry Co., Ltd.	61,722,500.00						61,722,500.00	
Jinan Oriental Joint Technology Development Co., Ltd.	477,750,230.55						477,750,230.55	
Suzhou Yuannao Intelligent Technology Co., Ltd.	403,500,000.00						403,500,000.00	
Inspur (Zhengzhou) Computer Technology Co., Ltd.	30,000,000.00						30,000,000.00	
Total	972,972,730.55						972,972,730.55	

(2) Investment in associated enterprises and joint ventures

Unit: RMB

Investee	Beginning balance (book value)	Beginning balance of impairment reserves	Increase/decrease changes in the current period								Ending balance (book value)	Ending balance of impairment reserves	
			Additional investments	Negative investments	Investment profit and loss recognized by the equity method	Adjustments of other comprehensive incomes	Other equity changes	Cash dividends or profits to be issued as announced	Provision for impairment reserves	Others			
I. Joint venture													
Shandong Inspur Yunhai Industry Development Investment Co., Ltd.	136,266,847.32				876,281.44							137,143,128.76	
Subtotal	136,266,847.32				876,281.44							137,143,128.76	
II. Associated enterprise													
Inspur Cloud Chain (Shandong) Information Technology Co., Ltd.	159,182,209.85				12,033,437.77			1,872,930.66				173,088,578.28	
TUNGKONG INC.	54,846,476.94			34,063,174.18	4,976,103.77			12,611,732.98	4,280,817.64			8,866,855.91	
Shandong SinoChip Semiconductors Co., Ltd.	6,380,728.93				459,076.56							6,839,805.49	
Shandong Huaxin Youchuang Technology Co., Ltd.	3,449,859.14			800,000.00	1,052,559.64							1,597,299.50	
Jinan Xinyun High-tech Investment Partnership (Limited Partnership)			1,000,000.00		1,814.37							1,001,814.37	
Shanghai Yunsilicon Technology Co., Ltd.			80,000,000.00		4,451,049.06			8,240,340.61				83,789,291.55	
Subtotal	223,859,274.86		81,000,000.00	34,863,174.18	11,966,823.77			2,498,461.71	4,280,817.64			275,183,645.10	
Total	360,126,122.18		81,000,000.00	34,863,174.18	12,843,105.21			2,498,461.71	4,280,817.64			412,326,773.86	

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

Applicable Not applicable

Reasons for significant discrepancies between the aforementioned information and the information or external information used in previous years' impairment test

Reasons for significant discrepancies between the information used in the Company's previous annual impairment tests and the actual situation of the current year

(3) Other descriptions

4. Operating income and operating cost

Unit: RMB

Item	Accrual in the current period		Accrual in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	57,971,801,018.35	53,929,959,711.65	70,903,748,378.06	65,324,818,844.18
Other businesses	199,570,087.69	88,883,445.56	231,588,828.32	124,392,202.10
Total	58,171,371,106.04	54,018,843,157.21	71,135,337,206.38	65,449,211,046.28

Breakdown information of operating income and operating cost:

Unit: RMB

Contract classification	Segment 1		Segment 2				Total	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Business type								
Including:								
Classification by operating area								
Including:								
Market or customer type								
Including:								
Contract type								
Including:								
Classified by time of goods transfer								
Including:								
Classified by contract term								
Including:								
Classified by sales channel								
Including:								
Total								

Information related to performance obligations:

Item	Time to perform the performance obligation	Important payment terms	Nature of the goods promised by the Company to transfer	Is it the main responsible person	Expected refunded to customers borne by the Company	Types of quality assurance provided by the Company and related obligations
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Other descriptions

Information related to the transaction price allocated to the remaining performance obligations:

At the end of the reporting period, the revenue from the performance obligations that have not been fulfilled or completely fulfilled under existing contract is RMB 5,600,191,963.95, of which RMB 5,600,191,963.95 is expected to be recognized as revenue in 2024, RMB is expected to be recognized as revenue in , RMB is expected to be recognized as revenue in .

Significant contract changes or significant transaction price adjustments

Unit: RMB

Item	Accounting treatment method	Affected amount on revenue
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Other descriptions:

5. Return on investment

Unit: RMB

Item	Accrual in the current period	Accrual in the previous period
Return on long-term equity investment accounted by the cost method	1,096,080.09	25,753,938.12
Return on long-term equity investment accounted by the equity method	12,843,105.21	58,529,900.30
Return on investment from disposal of long-term equity investment	115,824,656.23	-21,545,803.30
Return on investment from trading financial assets during the holding period	-10,849,659.38	16,155,202.97
Total	118,914,182.15	78,893,238.09

6. Others

XIX. Supplementary Information**1. Current non-recurring profits and losses**

Applicable Not applicable

Unit: RMB

Item	Amount	Description
Gains or losses on disposal of non-current assets	-695,118.98	
Special subsidies included into the current profits and losses (except for those closely related to the normal business operations of Company, in line with national policies and obtained according to established standards and having continuous influence on the profits and losses of the Company)	572,177,258.68	
Profit or loss on changes in fair values of held-for-trading financial assets and liabilities by non-financial enterprises and profit or loss obtained from disposal of financial assets and liabilities, except for effective hedging operations associated with the Company's normal operation	112,309,292.97	
Reversal of provision for impairment of receivables separately tested for impairment	160,818.47	
Net profits and losses of the subsidiaries arising from the business combination under the same control since the beginning of the period to the combination date	-24,313,899.13	
Non-operating income and expenditure other than those mentioned above	1,631,561.15	
Other gains and losses items that meet the definition of non-recurring gains and losses	140,413,728.94	
Minus: Influenced amount of income tax	135,126,205.74	
Affected amount of minority equity (after-tax)	2,137,824.53	
Total	664,419,611.83	—

Specific situations of other profit and loss items complying with the definition of non-recurring profits or losses:

Applicable Not applicable

Other profit and loss items that meet the definition of non-recurring gains and losses mainly include a VAT deduction of RMB 140,413,728.94, and the remaining amount is non-recurring gains and losses generated by public welfare donations.

Description on situations for defining non-recurring profit and loss items listed in the *Explanatory Announcement No.1 on Disclosure of the Information of Companies Offering Their Securities to the Public - Non-recurring Profits and Losses as recurring profits and losses.*

Applicable Not applicable

Item	Amount involved (RMB)	Reasons
Software tax refund for immediate collection and refund	92,160,434.67	Belonging to special subsidies that are continuously enjoyed according to certain standards, quotas or quantities
VAT plus deduction	302,464,867.01	Belonging to special subsidies that are continuously enjoyed according to certain standards, quotas or quantities

2. Return on net assets and earnings per share

Profit during the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to common shareholders of the Company	9.89%	1.1804	1.1804
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	6.10%	0.7278	0.7278

3. Accounting data difference under domestic and foreign accounting standards

(1) Difference in net profits and net assets in financial report disclosed in accordance with international accounting standards and Chinese accounting standards.

Applicable Not applicable

(2) Difference in net profits and net assets in financial report disclosed in accordance with foreign accounting standards and Chinese accounting standards.

Applicable Not applicable

(3) The reason of accounting data difference under domestic and foreign accounting standard shall be explained. If the data audited by the foreign audit authority carries out the different adjustment, the name of foreign authority shall be indicated.

4. Others

For the purpose of this section only, unless the context requires otherwise, references to the “Company” are to Inspur, and references to “we”, “us” and “our” shall be construed accordingly.

The following management discussion and analysis of the results of Inspur is extracted from the annual reports of Inspur for the years ended 31 December 2021, 31 December 2022 and 31 December 2023. It should be read in conjunction with the financial information of Inspur for the years ended 31 December 2021, 31 December 2022 and 31 December 2023 set forth in Appendix II to this circular. The management discussion and analysis of the results of Inspur was issued in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Group has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

Section III Discussion and Analysis of the Management

I. Industry Situation of the Company during the Reporting Period

On January 15, 2022, the General Secretary Xi Jinping proposed to "build a national integrated data center system" in the article *Building Up the Strength, Quality, and Size of China's Digital Economy*; in 2021, central ministries and commissions jointly issued a series of documents, including the *Guiding Opinions on Accelerating the Construction of a Collaborative Innovation System for National Integrated Big Data Center*, the *Implementation Plan for the Computing Power Hub of Collaborative Innovation System for National Integrated Big Data Center*, and the *Three-year Action Plan for the Development of New Data Centers (2021-2023)*, to promote the infrastructure of data centers and provide a new era of "rail-based construction" for the development of China's digital economy and the overall transformation of the Chinese economy.

Under the overall planning of China, the infrastructure of computing power has become a consensus, and investing in computing power has a long-term multiplier effect on economic growth. According to the *Global Computing Index 2021-2022*, for every 1 point increase in a country's computing index, the digital economy and GDP will grow by 3.5% and 1.8% respectively. When a country's computing index reaches 40 and 60 points, the driving force of computing power on GDP growth will increase by 1.5 times and 3.0 times, respectively. China and the United States are both in the forefront of computing power. Despite the global economic downturn, China's economy has maintained steady growth. With the accelerated integration of the digital economy and the real economy, Chinese servers have maintained a rapid and healthy growth trend. Based on the data of IDC, the sales revenue of the servers in the Chinese market in 2021 was RMB 163.2 billion, with a year-on-year increase of 12.7%, and the shipment volume was 3.911 million units, with a year-on-year increase of 8.4%, leading the global growth.

II. Main Businesses Engaged by the Company during the Reporting Period

With "intelligent computing" as its strategy, Inspur Information, a leading global provider of new IT infrastructure products, solutions, and services, constructs an open and integrated computing ecosystem through "hardware reconstructed + software-defined" computing power products and solutions, and builds an intelligent computing platform that meets diverse scenarios for customers, promoting the widespread application of artificial intelligence, big data, cloud computing, and the Internet of Things, as well as the digital transformation and reshaping of traditional industries.

Through continuous improvement of the server software and hardware research and development system based on customer needs, the Company has formed a series of cloud computing IaaS layer products with independent intellectual property rights, covering various high, medium, and low end servers. Moreover, the Company is in a global leading position in the fields of servers, AI computing, and open computing, leading the development and evolution of AI industrialization, industrial AI, and new infrastructure for intelligent computing.

In 2021, the Company continued to focus on intelligent computing represented by cloud computing, big data, and AI, clarifying the industry development trend from computing to intelligent computing, adhering to the "open, integrated, and agile" strategy, and innovating in R&D, production, delivery, service models, and other aspects. All businesses maintained rapid growth. In addition, in the field of general computing, the newly released M6 server by Inspur Information in 2021 has broken 165 SPEC performance test records in the world, winning the championship in five major segments including SPECint's most universal, SPECjbb enterprise-level Java applications, and SPECpower industry-level energy consumption evaluation, dominating the list. AI server products of Inspur Information achieved a total of 44 first place results in the 2021 global authoritative AI benchmark MLPerf™, ranking first on the MLPerf™2021 championship list.

The transformation from computing to intelligent computing is accelerating, and the computing industry needs to build a new development pattern, while the integration of diverse computing power has become the key, providing infrastructure support for social innovation by promoting the infrastructure of computing power. As a leading global intelligent computing enterprise, Inspur embraces open source, improves and strengthens its product technology layout, helps enterprises seize new opportunities, and injects infinite intelligent vitality into the digital economy, jointly drawing a beautiful blueprint under the new pattern.

III. Analysis on Core Competitiveness

In 2021, facing the opportunity of digital transformation in the main economic battlefield, the Company, based on intelligent computing strategy, innovates computing power supply models, continues to lead the innovative development of AI computing, open computing, cloud computing and other fields, makes full use of its leading advantages in core equipment, overall solutions, and AI computing full stack capabilities of data centers, adheres to the business strategy of "openness, integration, and agility", and innovates product technology and ecological construction with the purpose of achieving the goal of "leading information technology and promoting social civilization progress", providing customers with on-demand expansion and delivery of intelligent computing solutions to meet diverse application scenarios, becoming a leading global provider of intelligent computing solutions.

(I) Mastering core technologies is the foundation and prerequisite for development

Focusing on technology research and development is not only a prerequisite for the Company's past performance, but also a foundation for continued rapid growth in the future. From developing China's first small-scale server SMP2000 to becoming one of the world's top two server suppliers, mastering core technologies and changing the competitive landscape has always been the true core of the corporate culture.

As one of the five global manufacturers that master the core technologies of high-end servers, large-scale storage, critical databases, and other high-end information technology equipment, the Company has the full stack technology capability from components, whole machines to operating systems and databases. In addition, the Company is one of the five global manufacturers with high scalability architecture technology, and the only manufacturer in China with the ability to provide large-scale online transaction processing solutions, with the ability to develop 32-way tightly coupled large-scale servers.

The Company continues to develop intelligent computing technology systems with high computing power and large models as its core. In 2021, it made significant progress in integrating architecture technology and proposed a computing centered computing architecture, which achieved high-speed cache coherence bus interconnection between CPUs and accelerators within nodes. Based on this technology, the Company developed the first accelerator in China that supports high-speed computing connection coherence bus. The average data access latency between CPUs and accelerators was reduced by 80%, and the data access latency between nodes was as low as sub microseconds. Based on the innovative computing architecture, Inspur is evolving from the second stage characterized by single-mode and self-supervised learning to the third stage characterized by multi-mode and self-supervised learning in terms of algorithm models, proposing intelligent algorithms for large models with continuous improvement in accuracy.

The Company has led or participated in all national standards for servers, and is the only server supplier joining the world's three major open computing organizations at the same time. Moreover, it is a member of the Open System Steering Committee (OSSC) in the global SPEC, and is re-elected as the Chairman of the SPECML (Machine Learning) Technical Committee, dedicated to the development of benchmark testing in the AI related industry. The K-DB database can be applied to transaction processing in complex scenarios.

By mastering core technologies, and innovating product technologies and delivery models, the Company can quickly break through the high-end market, better understand customer application needs, timely capture the latest changes in applications, lead the industry, and seize new growth opportunities in the market.

(II) Accumulate steadily, and seize opportunities in the intelligent new infrastructure industry to achieve growth

The Company is at the forefront of the industry in the field of AI, and has completed its business layout in four aspects: hardware, platform, management, and framework while breaking through the core technologies of AI. In 2021, the Company took the lead in laying out its business in the intelligent computing center, while further strengthening its product system and industrial ecosystem construction around the four key operational links of AI computing power production, aggregation, scheduling, and release.

At the level of product technology innovation, the Company has upgraded and released multiple AI servers for various application scenarios (including the AI server NF5498A5, the globally leading AI server NF5488M6, the liquid cooled AI server NF5488LA5), and launched the strongest performance video AI accelerator M10A. Moreover, in response to the trend of large-scale pre-trained models, the Company has also released the world's leading AI large model "Source 1.0", with a parameter count of 245.7 billion.

In terms of market performance, the Company is also leading. According to the latest data released by IDC, from 2017 to the first half of 2021, the Company's AI servers remained the first in the Chinese market, maintaining its position as a leader in intelligent computing. In the report *The Forrester Wave: AI Infrastructure, Q4 2021* released by the international authoritative analysis organization Forrester, the Company is positioned in the Excellent Challenger quadrant with its AI full stack capabilities.

The transformation of cloud computing remains the biggest growth opportunity in the global server market in the past few years. The Company is the biggest beneficiary of cloud servers and also the world's largest cloud server supplier. Driven by

the IoT and AI, edge computing will show exponential growth in the future. The Company will take the lead in case of seizing market opportunities. Inspur began to lay out edge computing technologies and products many years ago, and took the lead in releasing four product series, namely, edge micro center, edge cloud server, portable AI server, and edge micro server, to provide intelligent computing power from the data center to the edge, and meet the diversified and scenario based application needs of users in the process of digital transformation and remodeling. The Company provides rich edge computing power for various edge scenarios from the global bearing giant smart factory and the largest offshore wind power plant in Asia, to the smart intersection of the Guangdong-Hong Kong-Macao Greater Bay Area in Guangzhou and the smart parking lot of Tokyo Institute of Technology.

According to the tracking report on China's edge computing server market in the first half of 2021 released by IDC, the edge computing server market has great development potential, and the combination of edge and AI will become the core driving force for future server market growth. Edge dedicated servers of Inspur ranked first in the Chinese market with a market share of 49.4% in the first half of 2021.

(III) Practice the concept of open computing and lead the open computing system

Open computing is becoming the main innovation force in current and even future data centers. Through innovative models of global collaboration, it solves major issues related to sustainable development of data center infrastructure, such as energy consumption, high-speed network communication, intelligent operation and maintenance, and recycling, etc. Inspur has always adhered to the open source and open technology route, aiming to promote the application and popularization of open standard data center technology.

As a core member of global open computing organizations such as OCP and ODCC, etc., Inspur has become increasingly involved in the open community, from participating in the development of design specifications to the development of standards, to leading the formulation of standards. At present, Inspur has actively participated in the establishment of standards and specifications for AI, edge, and other fields, and has led the development of all server national standards, OAM specifications, Scorpio standards, edge OTH specifications, OpenRMC management standards, etc. Moreover, the Company has also increased efforts to promote the productization of technical standards and has taken the lead in contributing multiple products to the community for global manufacturers to learn from, including the only complete cabinet product in the world that meets the standards of the three major open organizations; the world's first AI open accelerated computing system MX1; the world's first four-way server reference design NF8260M5 optimized for cloud infrastructure; the world's first OTII edge computing server; the world's first Scorpio multi-node server certified by ODCC, and so on.

(IV) Implement the agile business, operational innovation, and customer-centric JDM model

The transformation of cloud computing has brought about the maximization of data centers and the centralization of applications, driving the server industry from a standardized model to a large-scale customized model. The Company's success in the cloud server field is not only due to rapid and agile technological innovation, but also due to comprehensive innovation in operational models, intelligent manufacturing, supply chain management, and other aspects.

The JDM joint development model created by Inspur is based on the integration with the user industry chain, targeting user specific business needs, connecting the demand, R&D, production, and delivery links, integrating the supply and demand business chain, and providing users with fully customized products and services. Therefore, users deeply participate in the R&D and production of products, and the Company also deeply participates in the actual business of users.

Based on the JDM model, Inspur's R&D cycle of a new product has been compressed from 1.5 years to 9 months. According to the customer requirements, the prototypes can be delivered as quickly as 3 months. In terms of production and delivery, Inspur's order delivery cycle has been shortened from 15 days to 5-7 days, creating the industry's highest speed of delivering 10,000 cloud servers in 8 h. During the pandemic in 2020, in response to the rapidly increasing market demands for online video, online classroom, and online office, Inspur's agile supply chain system and smart factory quickly resumed work and flexibly increased production capacity, ensuring timely delivery of orders and laying a solid foundation for the Company's business growth. In 2021, the agile and flexible supply chain formed by Inspur in the practice of the JDM model won the "Ding Ge Award" digital transformation pioneer list and the "Annual Jury Award".

IV. Analysis of Main Businesses

1. Overview

During the reporting period, the Company's management fulfilled their responsibilities, exercised their powers in strict accordance with the Company's Articles of Association, implemented various resolutions of the Board of Directors and Shareholders' Meeting, promoted the Company's production and operation in an orderly manner, and made many efforts for the sustained and stable development of the Company.

(I) Consolidate the industrial foundation and stabilize the first tier of the industry

As the world's leading provider of IT infrastructure technologies, products, solutions and services, Inspur carries out the business such as servers, storage, databases, AI accelerators, AI management software, etc., and it is a global leader in AI computing, open computing, cloud computing, edge computing and other emerging applications, leading the development and evolution of innovative applications.

In recent years, adhered to its intelligent computing strategy, Inspur Information has continued to increase R&D investment in intelligent computing represented by cloud computing, big data, and AI, promoting the widespread application of AI, big data, cloud computing, and the IoT, as well as the digital transformation and remodeling of traditional industries.

In 2021, the Company focused on typical intelligent computing forms, namely "cloud, data, and intelligence", upgraded its intelligent computing strategy, adhered to the "open, integrated, and agile" strategy, and made innovation in R&D, production, delivery, service models, and other aspects. Its various businesses continued to maintain rapid growth.

According to the latest data from IDC, Inspur Information's servers ranked among the top two globally in 2021, leading the Chinese market with a market share of over 30%; In the first half of 2021, Inspur Information's AI servers occupied a market share of over 20%, ranking first in the world. According to the latest data from Gartner, Inspur Storage ranked among the top five in global sales in 2021 and second in the world's second storage market. Inspur Information has been selected as a challenger in Gartner's Main Storage Magic Quadrant for two consecutive years. According to Q4 2021 data from Synergy, Inspur Information's servers have ranked first in the global public cloud infrastructure computing market share for 11 consecutive quarters.

(II) Master core technologies and lead the industrial cutting-edge applications

Inspur has the ability to develop full stack technologies, leads cutting-edge applications, and is a global leader in cloud, AI, open computing, edge computing and other fields. In the field of cloud computing, Inspur's SR complete cabinet servers have a market share of over 60% in China, and i48 is the world's first Scorpio multi-node server certified by ODCC;

In the field of AI, Inspur possesses the full stack technology capability of AI platforms, and has released the first intelligent computing center scheduling system AIStation. In addition, it also has the strongest liquid cooled AI server NF5488LA5 and released a massive AI model "Source 1.0", with a parameter count of 245.7 billion;

In the field of edge computing, Inspur participated in the development of the OTII benchmark of the ODCC community, and launched the first edge server NE5260M5 conforming to the standards, which was widely adopted by the communication industry. Moreover, it also released the edge integrated cloud cabinet integrating ICT standards, NE3160 based on OTII standards, and EIS800 series products based on the open ECOM architecture.

Inspur's servers have repeatedly broken world records for authoritative tests such as SPEC and SPC, etc. The newly released M6 server by Inspur Information has broken 165 SPEC performance test records in the world, winning the championship in five major segments including SPEC CPU Cint's most universal, SPECjbb enterprise-level Java applications, and SPECpower industry-level energy consumption evaluation.

In the field of data storage, Inspur Storage, based on the storage platform strategy, upgrades the new generation G6 storage platform, and supports new applications and scenarios in the industry with four major advantages of "security, reliability, economy, and efficiency". Inspur Storage has repeatedly refreshed the SPC-1 international benchmark test list, with high-end full flash breaking the world's highest storage performance record with over 23 million IOPS. With strong product competitiveness, Inspur Storage's products have been used by core users in industries such as banks, operators, and two barrels of oil (China Petrochemical Corporation and China National Petroleum Corporation) in bulk.

(III) Build a metabrain ecosystem to achieve industrial AI brain

AI is driving an unprecedented social change, and this disruptive technology relies on powerful computing power. AI computing, as a major form of current and future computing, is becoming the core driving force of the smart future.

A smart society cannot do without a smart ecosystem. At present, the industrial information market has entered the stage of industrial AI, which will be a trillion dollar market. In the process of industrial AI, Inspur is the main partner and computing power provider of emerging AI enterprises. Emerging IT enterprises have accumulated a large amount of high-quality algorithm frameworks, models, data, and other high-quality AI technologies, which are exactly what industry users need in the process of industrial AI, and are also lacking in traditional partners who serve these users. In order to help industry users better carry out intelligent transformation and connect traditional partners with emerging AI enterprises, Inspur has proposed the Metabrain Ecosystem Plan.

Metabrain is composed of left-handed partners with core AI development capabilities and right-handed partners with overall industry solution delivery capabilities in collaboration with Inspur, which aggregates the strongest computing power platform, the highest quality algorithm model development capabilities, and the highest quality integration, deployment, and service capabilities of AI, supporting and accelerating the integration of various industries and AI, enabling them to have perceivable, self-learning, and evolutionary capabilities, helping users complete business intelligence transformation and upgrading, and achieving industrial AI brain with ecological power.

In 2022, Inspur Information will continue to promote the concept of "intelligent computing partners" and strengthen the metabrain ecosystem, including upgrading the metabrain platform AIStore, accelerating intelligent transformation of distribution, co creating industrial intelligent solutions, and empowering gas stations with partners.

(IV) Provide full support for liquid cooling, and put Tianchi, the largest liquid cooling production base in Asia, into use

Under China's dual carbon targets, the energy consumption challenge of data centers is becoming increasingly severe. The National Development and Reform Commission, the Ministry of Industry and Information Technology, and others jointly issued the *Implementation Plan for Achieving the Carbon Peaking and Carbon Neutrality Targets and Promoting the Green and High Quality Development of New Infrastructure Such as Data Centers and 5G*, which clearly states that by 2025, the utilization efficiency of operational energy and renewable energy will be significantly improved, and the average energy utilization efficiency of newly built large and super large data centers nationwide will be reduced to below 1.3.

At present, Inspur Information has fully laid out liquid cooling throughout the stack, and various types of products such as cold plate liquid cooling, heat pipe liquid cooling, and immersion liquid cooling, etc. have been deployed in large quantities. In order to promote the industrial liquid cooling, reduce energy consumption in data centers, and promote China's carbon peaking and carbon neutrality, Inspur has built the largest liquid cooling R&D and production base in Asia, Tianchi, and put it into use, with an annual production capacity of 100,000 units, achieving the industry's first large-scale delivery of cold plate liquid cooling complete cabinets, helping users reduce their data center PUE to below 1.1. The overall delivery cycle is within 5-7 days, which is of great significance for the rapid development of the liquid cooling industry and the large-scale popularization and construction of liquid cooling technology.

2. Revenue and cost

(1) Operating income composition

Unit: RMB

Item	2021		2020		Year-on-year increase or decrease
	Amount	Proportion of operating income	Amount	Proportion of operating income	
Total operating incomes	67,047,551,558.14	100%	63,037,990,367.04	100%	6.36%
By industry					
Electronics industry	67,047,551,558.14	100.00%	63,037,990,367.04	100.00%	6.36%
By product					
Servers and components	64,342,315,534.63	95.97%	61,855,088,682.53	98.12%	4.02%
IT terminals and bulk items	2,457,630,273.34	3.67%	942,697,435.90	1.50%	160.70%
Others	247,605,750.17	0.37%	240,204,248.61	0.38%	3.08%
By region					
China	59,965,865,602.39	89.44%	52,163,730,918.88	82.75%	14.96%
Overseas	7,081,685,955.75	10.56%	10,874,259,448.16	17.25%	-34.88%
By sales model					
Region	13,966,099,540.62	20.83%	10,541,967,809.05	16.72%	32.48%
Industry	53,081,452,017.52	79.17%	52,496,022,557.99	83.28%	1.12%

(2) Industries, products, regions and sales models that account for more than 10% of the Company's operating income or profit

√ Applicable □ Not applicable

Unit: RMB

Item	Operating income	Operating cost	Gross margin	Increase/decrease of operating income over the same period of the previous year	Increase/decrease of operating cost over the same period of the previous year	Increase/decrease of gross margin over the same period of the previous year
By industry						
Electronics industry	66,799,945,807.97	59,287,353,197.02	11.25%	6.37%	6.72%	-0.28%
By product						
Servers and components	64,342,315,534.63	57,180,666,778.85	11.13%	4.02%	4.34%	-0.27%
IT terminals and bulk items	2,457,630,273.34	2,106,686,418.17	14.28%	160.70%	180.09%	-5.93%
By region						
China	59,718,259,852.22	52,736,301,873.16	11.69%	15.01%	15.29%	-0.22%
Overseas	7,081,685,955.75	6,551,051,323.86	7.49%	-34.88%	-33.25%	-2.26%
By sales model						
Region	13,966,099,540.62	11,479,012,854.12	17.81%	32.48%	40.16%	-4.51%
Industry	52,833,846,267.35	47,808,340,342.90	9.51%	1.11%	0.93%	0.15%

In case of changes in the statistical caliber of main business data in the reporting period, the Company will refer to the main business data after adjustment in recent 1 year

Applicable Not applicable

(3) Whether the physical sales revenue of the Company is more than that of service revenue

Yes No

Industry category	Item	Unit	2021	2020	Year-on-year increase or decrease
Electronics industry	Sales volume		1,813,032	1,259,008	44.00%
	Production capacity		1,830,135	1,312,735	39.41%
	Inventory		215,782	198,679	8.61%

Description for reasons of relevant year-on-year data changing over 30%

Applicable Not applicable

The sales volume increased by 44.00% and the production capacity increased by 39.41%, mainly due to the growth in production and sales of IT terminal and bulk items.

(4) Performance of major sales contract and major purchase contract which has been signed by the Company until the reporting period

Applicable Not applicable

(5) Operating cost composition

Industry and product category

Unit: RMB

Industry category	Item	2021		2020		Year-on-year increase or decrease
		Amount	Proportion of operating cost	Amount	Proportion of operating cost	
Electronics industry		59,379,318,169.68	100.00%	55,660,508,811.34	100.00%	6.68%

Unit: RMB

Product category	Item	2021		2020		Year-on-year increase or decrease
		Amount	Proportion of operating cost	Amount	Proportion of operating cost	
Servers and components		57,180,666,778.85	96.30%	54,803,494,904.35	98.46%	4.34%
IT terminals and bulk items		2,106,686,418.17	3.55%	752,137,767.82	1.35%	180.09%
Other businesses		91,964,972.66	0.15%	104,876,139.17	0.19%	-12.31%

Description

N/A

(6) Changes in the consolidation scope during the reporting period changes√ Yes No

In June 2021, the Company jointly invested with Inspur Group Co., Ltd. to establish Inspur (Shandong) Computer Technology Co., Ltd. with a registered capital of RMB 100 million. The Company invested RMB 65 million, holding 65% of the shares, while Inspur Group Co., Ltd. invested RMB 35 million, holding 35% of the shares.

(7) Significant change or adjustment about the Company's business, product or service during the reporting period Applicable Not applicable**(8) Main sales customers and main suppliers**

Company's main sales customers

Total sales of top five customers (RMB)	15,295,648,130.49
Proportion of total sales of top five customers in total annual sales	22.81%
Proportion of the related party's sales amount to the total sales amount among the sales of the top five suppliers	0.00%

Information of top 5 customers of the Company

S/N	Customer name	Sales (RMB)	Proportion of total sales amount of the year
1	Customer 1	3,738,575,845.37	5.58%
2	Customer 2	3,402,340,319.74	5.07%
3	Customer 3	3,354,971,040.72	5.00%
4	Customer 4	2,740,913,726.02	4.09%
5	Customer 5	2,058,847,198.64	3.07%
Total	-	15,295,648,130.49	22.81%

Description on other situations of main customers

 Applicable Not applicable

Company's main suppliers

Total purchase amount of top five suppliers (RMB)	38,969,898,869.02
Proportion about total purchase amount of top five suppliers accounting for total purchase amount of the year	54.82%

Information of top five suppliers of the Company

S/N	Supplier name	Purchase amount (RMB)	Proportion of total purchase amount of the year
1	Supplier 1	16,941,697,721.11	23.83%
2	Supplier 2	7,872,581,107.44	11.07%
3	Supplier 3	7,377,621,052.59	10.38%
4	Supplier 4	3,684,839,747.41	5.18%
5	Supplier 5	3,093,159,240.48	4.35%
Total	-	38,969,898,869.02	54.82%

Description on other situations of main suppliers

Applicable Not applicable

3. Expense

Unit: RMB

Item	2021	2020	Year-on-year increase or decrease	Description on significant changes
Sales expenses	1,460,708,162.61	1,864,031,696.37	-21.64%	
Management expenses	723,675,429.67	821,401,512.23	-11.90%	
Financial expenses	-61,064,951.14	134,420,695.42	-145.43%	Mainly due to the exchange rate fluctuations in the current period and the increase in exchange gains
R&D expenses	2,921,294,813.57	2,635,456,131.65	10.85%	

4. R&D investment

√ Applicable □ Not applicable

Name of main R&D projects	Project purpose	Project progress	Intended goals	Expected impact on the Company's future development
Eagle two-way rack type Server R&D project	Develop Eagle two-way flagship servers, and create key products with excellent performance and diverse scenarios, covering the business computing needs of various markets such as finance, communication, Internet, energy transportation, enterprises, etc.	Supplied in batch	Create industry benchmark two-way flagship servers, maintain the top domestic market share, and focus on breaking through overseas markets to increase global market share	As the main core product of the Company, the two-way rack products meet the diverse workloads of data centers while enhancing the Company's brand influence and industry awareness, providing support for the increase of the Company's market share
Yellow River two-way Rack server R&D project	Develop Yellow River two-way flagship servers, and integrate liquid cooling technology, creating green and environmentally friendly mainstream servers	In the process of R&D	Invest in two-way flagship servers, achieving breakthroughs in overseas markets and increasing global market share through green energy saving and open source technology innovation	As the main core product of the Company, the two-way rack products meet the diverse workloads of data centers while enhancing the Company's brand influence and industry awareness, providing support for the increase of the Company's market share
Cairo four-way rack server R&D project	Develop Cairo four-way servers with powerful computing performance, ultimate scalability, and excellent RAS features, providing excellent solutions for enterprise-level key application loads	Supplied in batch	Create competitive scenario based four-way flagship products, providing customers with the best solution in key application load scenarios such as core databases, SAPHANA memory computing/commercial data mining, high-performance computing, and heterogeneous computing, etc., and improving market share	As a mid to high end universal servers of the Company, it can improve our server technology R&D capabilities, and maintain our leading position in the high-end product market
Kingston four-way rack server R&D project	Develop Kingston four-way servers, focus on improving green, energy-saving, and safety features, and continue to support enterprise-level key application loads	In the process of R&D	Guided by global market and customer demand, optimize product features, focus on strengthening green, energy-saving, and safety features, and maintain market competitiveness and market share	As a mid to high end universal servers of the Company, it can improve our server technology R&D capabilities, and maintain our leading position in the high-end product market
Osaka two-way AI servicer R&D project	Provide a highly scalable and compatible server computing platform for the field of AI computing, supporting the rapid development of the AI industry	Supplied in batch	Compatible with mainstream heterogeneous computing acceleration boards in the industry, providing flexible configuration of computing infrastructure	Meeting diverse business needs of customers and increasing customer stickiness
Tensor two-way PCIE server R&D project	Build a new generation of AI computing platform using the cutting-edge technology in the industry to meet the continuous evolution of AI	In the process of R&D	Assist customers in better meeting the business challenges brought by the large-scale implementation of AI, and enhance the value	Meeting the demand for industrial AI, achieving mainstream sales, and helping the Company increase market share

	algorithms and businesses		of AI computing infrastructure	
Cobra high-end storage project	Break through the current high-end storage technology in China, accelerate its application in industries such as finance and communication, etc., and protect core data security	In the process of R&D	Realize mass production of new generation high-end storage products, with data reliability of 99.99999% and millions of performance throughput	Improving market share in high-end storage
Scott unified storage mainline version project	Targeting the characteristics of core storage products in the unified storage continuous zone, enhance product competitiveness, and meet the needs of general markets and customized customers	Supplied in batch	Implement end-to-end delivery of multiple software features such as NVMe, etc., resulting in a 50% improvement in performance compared to the previous generation	Unified storage products continue to maintain high-speed growth

Company's R&D personnel

Item	2021	2020	Variable proportion
Number of R&D personnel (person)	3,002	2,861	4.93%
Proportion of R&D personnel	40.45%	40.12%	0.33%
Educational background structure of R&D personnel			
Undergraduate	1,864	1,864	
Master	1,010	839	20.38%
Composition of R&D personnel by age			
Less than 30 years old	899	703	27.88%
30-40 years old	1,857	1,872	-0.80%

Company's R&D investment

Item	2021	2020	Variable proportion
R&D investment amount (RMB)	2,832,643,581.97	2,533,864,799.41	11.79%
Proportion of R&D investment in operating income	4.22%	4.02%	0.20%
Amount of capitalized R&D investment (RMB)	0.00	0.00	0.00%
Proportion of capitalized R&D investment in R&D investment	0.00%	0.00%	0.00%

Reasons for major changes in the composition of the Company's R&D personnel and its effects

Applicable Not applicable

Reasons for major changes of proportion of total R&D investment amount in operating income compared with last year

Applicable Not applicable

Reasons for significant changes in R&D investment and its reasonable description

Applicable Not applicable

5. Cash flow

Unit: RMB

Item	2021	2020	Year-on-year increase or decrease
Subtotal of cash inflow from operating activities	75,912,473,940.69	83,642,473,176.99	-9.24%
Subtotal of cash outflow from operating activities	84,202,047,912.68	81,312,158,742.35	3.55%
Net cash flow generated from operating activities	-8,289,573,971.99	2,330,314,434.64	-455.73%
Subtotal of cash inflow from investing activities	33,808,122,406.97	47,352,073,789.59	-28.60%
Subtotal of cash outflow from investing activities	30,253,264,195.15	51,322,162,022.55	-41.05%
Net cash flow generated from investing activities	3,554,858,211.82	-3,970,088,232.96	189.54%
Subtotal of cash inflow from financing activities	12,773,584,906.17	15,364,070,286.00	-16.86%
Subtotal of cash outflow from financing activities	10,700,734,006.96	10,048,963,187.24	6.49%
Net cash flow generated from financing activities	2,072,850,899.21	5,315,107,098.76	-61.00%
Net increase in cash and cash equivalents	-2,693,636,111.34	3,601,271,958.39	-174.80%

Description on main influencing factors for significant year-on-year changes in relevant data

Applicable Not applicable

1. The net cash flow generated from operating activities was RMB -8.289 billion, with a year-on-year decrease of 455.73%, mainly due to the Company's increased stocking efforts, significant increase in inventory, and corresponding increase in cash outflows in the current period
2. The net cash flow generated from investing activities was RMB 3.555 billion, with a year-on-year increase of 189.54%, mainly due to the decrease in net purchases of wealth management products in the current period
3. The cash flow generated from financing activities was RMB 2.072 billion, with a year-on-year decrease of 61.00%, mainly due to the significant difference between the net cash flow generated from the Company's operating activities during the reporting period and the net profit of the current year caused by the receipt of the previous period's equity financing and the issuance of perpetual bonds

Applicable Not applicable

V. Analysis of Non Main Businesses

Applicable Not applicable

VI. Analysis of Assets and Liabilities

√ Unit: RMB

Item	End of 2021		Beginning of 2021		Increase/decrease in proportion	Description on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary capital	7,277,279,340.91	15.75%	10,133,660,776.10	26.40%	-10.65%	
Accounts receivable	11,969,771,797.48	25.90%	8,207,351,931.65	21.38%	4.52%	
Inventory	22,402,228,567.57	48.48%	10,943,256,465.72	28.51%	19.97%	Mainly due to the global shortage of raw material supply and the Company's increased stocking
Investment property	92,615,702.43	0.20%	95,916,862.83	0.25%	-0.05%	
Long-term equity investment	306,872,633.81	0.66%	308,200,076.31	0.80%	-0.14%	
Fixed assets	979,437,091.63	2.12%	1,063,826,938.88	2.77%	-0.65%	
Construction in progress	121,384,942.40	0.26%	17,686,703.29	0.05%	0.21%	
Right-of-use assets	54,564,151.39	0.12%	58,144,053.99	0.15%	-0.03%	
Short-term borrowings	4,558,032,922.89	9.86%	2,691,316,995.77	7.01%	2.85%	
Contract liabilities	1,687,428,845.01	3.65%	4,085,509,573.95	10.64%	-6.99%	
Long-term borrowings	1,510,288,931.61	3.27%	610,290,445.49	1.59%	1.68%	
Lease liabilities	39,318,738.03	0.09%	57,221,407.90	0.15%	-0.06%	

Higher proportion of overseas assets

□ Applicable √ Not applicable

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening balance	Gain or loss from changes in fair value in the current period	Changes in the cumulative fair value included in equity	Impairment accrued in the current period	Purchase amount of the current period	Sales amount of the current period	Other changes	Closing balance
Financial assets								
1. Trading financial assets (excluding derivative financial assets)	3,707,848,082.20							400,068,219.18
Sub-total of financial assets	3,707,848,082.20							400,068,219.18
	308,351,629.57							263,818,771.47
Notes receivable measured at fair value with changes included in other comprehensive incomes								
Accounts receivable measured at fair value with changes included in other comprehensive incomes	1,004,176,905.71							18,318,958.03
Total of the above	5,020,376,617.48							682,205,948.68
Financial liabilities	3,555,903.85							3,016,539.09

Contents of other changes

Significant changes in major asset measurement attributes of the Company in reporting period

□ Yes √ No

3. Restriction of asset right by the end of the reporting period

Item	Ending book value	Reasons for restriction
Monetary capital	18,859,309.20	Margin deposit
Fixed assets	168,079,735.03	Mortgage of US land and factory buildings for borrowings
Total	186,939,044.23	--

VII. Investment Situation Analysis**1. General condition**

Applicable Not applicable

Investment amount during the reporting period (RMB)	Investment amount in the same period of last year (RMB)	Amount of variation
306,872,633.81	308,200,076.31	-0.43%

2. Significant equity investment obtained within the reporting period

Applicable Not applicable

3. On-going significant non-equity investment within the reporting period

Applicable Not applicable

4. Investments in financial assets**(1) Securities investment**

Applicable Not applicable

The Company involves no securities investment in the reporting period.

(2) Derivative investment

Applicable Not applicable

The Company involves no derivative investment in the reporting period.

5. Use of the raised funds

Applicable Not applicable

The Company does not use the raised funds during the reporting period.

VIII. Sale of Significant Assets and Equity**1. Sale of significant assets**

Applicable Not applicable

The Company does not sell significant assets in the reporting period.

2. Sale of significant equity

Applicable Not applicable

IX. Analysis of Main Controlling and Shareholding Companies

√ Applicable □ Not applicable

Main subsidiaries and shareholding companies which can exert 10% or above net profit influence on the Company

Unit: RMB

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Inspur (Beijing) Electronic Information Industry Co., Ltd.	Subsidiary	Sales of computer software, hardware and auxiliary equipment	RMB 52.5 million	999,978,602.64	345,999,305.39	5,935,424,811.04	5,760,802.38	7,582,681.13
Inspur Electronic Information (Hong Kong) Co., Ltd.	Subsidiary	Technology development, consulting, introduction and exchange, import and export trade, foreign investment business	USD 10,000	6,690,972,614.98	214,505,594.28	29,600,928,461.70	69,976,908.18	65,298,467.41
Inspur (Hong Kong) Electronics Co., Ltd.	Subsidiary	Trading of CPUs and other electronic components	HKD 1 million	5,118,817,701.71	959,727,604.49	22,212,511,966.18	98,330,071.30	89,987,536.95
Zhengzhou Yunhai Information Technology Co., Ltd.	Subsidiary	Technology development and sales of computer software and hardware	RMB 25 million	817,960,562.07	807,498,346.64	286,867,273.80	110,594,345.38	106,838,896.23
Shandong Inspur Import and Export Co., Ltd.	Subsidiary	Import and export of goods and technologies	RMB 630,723,400	1,771,501,539.48	151,705,232.64	6,573,952,401.89	84,011,146.12	33,767,203.67
Guizhou Inspur Yingxin Technology Co., Ltd.	Subsidiary	Development, production and sales of computer software, hardware and auxiliary equipment	RMB 20 million	1,354,109,789.01	107,926,960.96	2,314,420,351.24	10,365,775.69	8,621,853.23

Inspur Power Commercial Systems Co., Ltd.	Subsidiary	Development, production and sales of computer software, hardware and auxiliary equipment	RMB 1 billion	1,413,472,934.54	736,855,362.99	958,751,079.12	50,085,551.39	56,108,797.64
Shaanxi Inspur Yingxin Technology Co., Ltd.	Subsidiary	Sales of computer software, hardware and auxiliary equipment	RMB 10 million	42,709,801.09	12,001,725.73	126,090,155.59	3,572,782.92	3,526,774.93
Suzhou Inspur Intelligent Technology Co., Ltd.	Subsidiary	R&D, production, and sales of computer software, hardware, and electronic components	RMB 200 million	1,181,347,973.57	219,103,952.72	2,053,917,338.91	33,854,792.49	29,088,103.46
Inspur (Shandong) Computer Technology Co., Ltd.	Subsidiary	Sales of computer software, hardware and auxiliary equipment	RMB 100 million	251,270,999.77	108,062,445.61	438,242,324.63	7,884,669.73	8,062,445.61

Acquisition and disposal of subsidiaries within the reporting period

Applicable Not applicable

Company name	Acquisition and disposal method of subsidiaries within the reporting period	Influence on overall production, operation and performance
Inspur (Shandong) Computer Technology Co., Ltd.	Newly-established	Realized a net profit of RMB 8,062,445.61 in 2021

Main controlling and shareholding companies

X. Structured Entities under the Control of the Company

Applicable Not applicable

XI. Outlook for the Future Development of the Company

(I) Company's future development strategy and business plan

The rapid development achievements achieved by Inspur are attributed to the Company's forward-looking judgment on the computing industry, active implementation of intelligent computing strategy, leading the layout of AI, edge technology and other technological fields, as well as continuous innovation in the field of intelligent computing based on products, technology, and ecology.

At present, intelligent computing has become the core productivity driving the development of the digital economy and social change. As a leading global intelligent computing enterprise, Inspur will adhere to the principle of openness and open source, improve and strengthen its product technology layout, develop open computing and AI, provide computing power support for intelligent computing centers, deepen and expand its development in computing infrastructure, help enterprises capture new opportunities for digital transformation, and inject infinite intelligent vitality into the digital economy, jointly drawing a beautiful blueprint under the new pattern.

(II) Main risks that the Company's business development may face and corresponding measures

1. Market risks brought about by macroeconomic fluctuations: the operational development of the server industry is closely related to the overall macroeconomic development of the country, and the Company's product sales, operating performance, financial status, and development prospects are closely related to the macroeconomic situation. The sustained slowdown of global economic growth in the future or short-term severe macroeconomic fluctuations in China may affect downstream demand in the server industry, leading to a slowdown in demand growth in the server market and posing a risk of declining business performance, which will have a certain adverse impact on the Company's business development. In this regard, the Company will adhere to a long-term overall development strategy centered on intelligent computing, break through core technologies through independent R&D and innovation, better understand customer applications, and capture the latest changes in applications, leading the industry and seizing new growth opportunities in the market.

2. Market competition risks: the server industry in which the Company operates belongs to a combination of knowledge intensive and capital intensive industries, with high entry barriers. Only a few manufacturers worldwide have mastered relevant technologies and formed production scales, resulting in high market concentration. At present, the Company's server business mainly faces market competition from well-known enterprises at home and abroad. In this regard, the Company will continue to increase R&D investment, introduce and cultivate core technology leaders, strengthen the construction of R&D teams, create "diamond" products, and improve product efficiency; additionally, the Company will also increase its marketing and brand promotion efforts, strengthen market channel development, enhance its own strength, and consolidate its market position.

3. Exchange rate fluctuation risks: in view of the business model characteristics of the server industry in which the company operates, the Company purchases some raw materials through import trade, and exports and sells some products, so during the reporting period, the Company had significant import and export trade. As a result, the significant exchange rate fluctuations will have a direct impact on the Company's import and export business. Based on the real trading background, the Company adopts various effective hedging measures to prevent exchange rate fluctuation risks.

4. Increased labor cost risks: the R&D, production, sales, and after-sales services of the Company's main products are labor-intensive businesses. With the continuous development of China's national economy, the overall income level of Chinese employees is constantly improving, and the average annual wage level is showing a continuous upward trend. In this regard, the Company is committed to enhancing product profitability and strengthening cost control to reduce the adverse impact of increased labor costs on the overall profitability of the Company.

5. Innovation risks due to technological updating: under the trend of further accelerated development of information technology, the server industry in which the company operates has high requirements for product R&D speed, supply efficiency, and service response speed of supporting technologies. In the future, if the Company cannot achieve breakthroughs in technological research and development or timely update its technology, develop new products with independent intellectual property rights, or technological research and development cannot better meet market demand, the Company's competitive advantage may weaken, leading to the risk of customer churn. In this regard, the Company will increase investment in product R&D and technological innovation to achieve technological updating of products, better adapting to market changes, and winning market opportunities.

6. Management risks: in recent years, with the continuous expansion of the Company's business scale and the gradual increase in the number of subsidiaries, higher requirements have been put forward for the Company's business management, financial planning, internal control, and human resource allocation. In this regard, the Company will optimize its internal governance structure and organizational structure, and improve its internal control system to ensure its sustained, stable, and rapid development.

XII. Receipt of Research, Communication, Interviews and Other Activities during the Reporting Period

√ Applicable □ Not applicable

Reception time	Reception place	Reception mode	Reception object type	Reception object	Main contents talked about and materials provided	Index of basic situation of research
May 13, 2021	Hudongyi Platform - Cloud Interview Column (http://irm.cninfo.com.cn)	Others	Others	Investors participating in this online performance explanation session through online means	Refer to the Investor Relations Activity Record Form (No. 2021-001) for details	Refer to <i>000977 Inspur Information Performance Explanation Session and Roadshow Activity Information 20210513</i> on the website (www.cninfo.com.cn) for details

Section III Discussion and Analysis of the Management

I. Industry Situation of the Company during the Reporting Period

On January 12, 2022, the State Council issued the *Plan to Facilitate Development of the Digital Economy in the 14th Five-Year Plan Period*, deploying eight key tasks: (1) optimizing and upgrading digital infrastructure; (2) giving full play to the role of data elements; (3) promoting industrial digital transformation; (4) accelerating digital industrialization; (5) improving the digitalization of public services; (6) improving the governance system of the digital economy; (7) strengthening the security system of the digital economy; and (8) expanding international cooperation in the digital economy.

In terms of the development of digital economy, computing power is the core productivity, and investing in computing power has a long-term multiplier effect on economic growth. According to the *Global Computing Index 2021-2022*, for every 1 point increase in a country's computing index, the digital economy and GDP will grow by 3.5‰ and 1.8‰ respectively. When a country's computing index reaches 40 and 60 points, the driving force of computing power on GDP growth will increase by 1.5 times and 3.0 times, respectively. According to the *2022-2023 China Artificial Intelligence Computing Power Development Evaluation Report*, China's AI computing power continues to maintain rapid growth, with the scale of intelligent computing power reaching 268 EFLOPS in 2022, exceeding the scale of general computing power. It is expected that the compound annual growth rate of China's intelligent computing power scale will reach 52.3% in the next five years.

II. Main Businesses Engaged by the Company during the Reporting Period

Inspur Information is a leading global provider of IT infrastructure products, solutions, and services, with 8 R&D centers, 10 production bases, and 26 branch offices, and its business covers more than 120 countries and regions. The Company adheres to the concept that "computing power is productivity, and intelligent computing power is innovation power", and is committed to promoting innovation and application of intelligent computing technology, accelerating the integration of data and reality, making people's lives better, enterprise operations more efficient, social governance more perfect, and people and nature more harmonious.

Adhered to the innovation driven development strategy, the Company provides customers with more advanced cloud computing, big data, AI, edge computing and other innovative products and solutions. In terms of computing power, it has formed a rich product line through scenario optimization design, covering computing, storage, multi node, key applications, complete cabinets and other servers to support full scenario efficient computing; in terms of the algorithm, it launches a massive model business, explores the forefront of general intelligence, and promotes the development of the AI industry; in terms of storage, it launches various types of high-end storage products, develops intelligent computing center operating systems to support diverse heterogeneity and cloud edge collaboration, and participates in open computing technology innovation to accelerate the open integration process of the global computing ecosystem. Moreover, it also implements the concept of green and sustainable development, and layouts liquid cooling to promote the upgrading of data center construction and operation mode, improve the energy utilization level of data centers, and reduce carbon emissions.

In 2022, the Company continues to focus on cloud computing, big data, AI, edge computing and other forms of intelligent computing, adhere to openness, integration, agility, and innovate in R&D, production, delivery, service models and other aspects to maintain a rapid growth in all businesses.

The transformation from computing to intelligent computing is accelerating, and the computing industry needs to build a new development pattern. Inspur Information embraces open source, improves and strengthens its product technology layout, promotes and leads the development of the intelligent computing industry, helps enterprises capture new opportunities, and injects infinite intelligent vitality into the digital economy, jointly drawing a beautiful blueprint under the new pattern.

III. Analysis on Core Competitiveness

In 2022, facing the opportunities of digital transformation, the Company focuses on intelligent computing strategy, innovates computing power supply models, leads innovative development in the fields of intelligent computing, open computing, and green computing, makes full use of its leading advantages in data center core equipment, overall solutions, and AI computing full stack capabilities, and innovates product technology and ecological construction to meet the intelligent computing needs of customers in diverse application scenarios.

(I) Strengthen technological research and development to drive the rapid development of the Company

Focusing on technology research and development is not only a prerequisite for the Company's past performance, but also a foundation for continued rapid growth in the future. The Company continues to develop its intelligent computing technology system. In 2022, the Company made significant progress in integrating architecture technology and proposed a computing centered computing architecture, which achieved high-speed cache coherence bus interconnection between CPUs and accelerators within nodes. The average data access latency between CPUs and accelerators was reduced by 80%, and the data access latency between nodes was as low as sub microseconds. The Company has led or participated in all national standards for servers, and is the only server supplier to join the world's three major open computing organizations simultaneously. In addition, it is also a member of the Open System Steering Committee (OSSC) in the global SPEC. At present, it continues to innovate product technologies and delivery models, better understand customer application needs, capture the latest changes in applications, leads the industry, and seize new growth opportunities in the market.

(II) Seize the opportunities of integrating digital and practical industries, and achieve early layout

Cloud computing, big data, AI and other digital technologies are increasingly integrated into all aspects of economic and social development, promoting the continuous deepening of the integration of the digital world and the physical world. The digital world is all about computing, and the intelligent computing is playing an increasingly important role in accelerating innovation and discovery, promoting the integration of the digital economy and the real economy, and creating new industries, new formats, and new models. Inspur Information seizes the industrial opportunities of integrating data and reality, innovates computing power, algorithms, and data infrastructure, promotes the new infrastructure of intelligent computing centers, and assists in the high-quality development of the digital economy.

In terms of computing power, the Company has completed its business layout in the field of AI computing at four levels: hardware, platform, management, and framework. In terms of product technology innovation, in 2022, the Company releases the first domestic metaverse server MetaEngine, providing powerful computing power for the creation and operation of metaverse digital spaces, serving large-scale, highly complex, and realistic digital scene collaborative innovation and implementation rendering simulation in buildings, factories, cities, and even the entire world, becoming a solid foundation for connecting the real world and the digital world. The Company collaborates with partners to launch the "Qiantang River" intelligent computing center solution, with leading liquid cooling and cooling capabilities, supporting large-scale cluster expansion, and providing inclusive application ecosystem support.

In terms of algorithms, the Company releases the new "Source" skill models, including dialogue models, Q&A models, translation models, and ancient text models, to accelerate the implementation of industry applications; promotes the "Source" open source plan, strengthens the construction of developer communities and industry applications, and creates popular applications such as "AI Murder Mystery Game", "Psychological Counseling AI Partner Training", "AI Anti-Fraud", and "Jinling Poetry Club", etc. Currently, the community has over 3,000 developers.

In terms of data infrastructure, Inspur Storage continues to improve its product layout, focusing on building platform based products such as centralized storage, backup, and archive storage. In addition, it collaborates with partners and customers to create scenario based solutions and has gained the trust of more and more customers, becoming a major supplier of core business for banks, insurance, securities, and other users. In 2022, Inspur Information released a new generation of SSD high-speed storage media using ZNS data diversion and other technologies, improving the performance. Moreover, Inspur Storage has the ability to develop storage software stack and SSD full stack technology, and can promote targeted optimization of SSDs for specific scenarios and improve storage system performance through disk control collaboration.

(III) Practice the concept of open computing and build the open computing system

Open computing is becoming the main innovation force in current and even future data centers. Through innovative models of global collaboration, it solves major issues related to sustainable development of data center infrastructure, such as energy consumption, high-speed network communication, intelligent operation and maintenance, and recycling, etc. Inspur has always adhered to the open source and open technology route, aiming to promote the application and popularization of open standard data center technology.

As a core member of the three global open computing organizations (OCP, ODCC, and OpenI9), Inspur Information has become increasingly involved in the open community, from participating in the development of design specifications to the development of standards, to leading the formulation of standards. At present, Inspur has actively participated in the establishment of standards and specifications for AI, edge, and other fields, and has led the development of OAM specifications, Scorpio standards, edge OTII specifications, OpenRMC management standards, etc.; in terms of green carbon reduction, it participates in the sub project of Rack&Power*, and adopts different liquid cooling methods to reduce the PUE of data centers, achieving intelligent energy-saving management of data centers, promoting innovation in energy-saving technologies and industrial applications, and assisting in innovative practices of green and low-carbon open data centers.

(IV) Implement the "Allin liquid cooling" strategy and promote green carbon reduction in data centers

Data centers are important infrastructure for the digital economy and also major emitters of carbon emissions. In the context of the "carbon peaking and carbon neutrality" strategy, data centers are accelerating towards intensification, scaling, and greening, so the liquid cooling technology that can meet high power consumption and high-density heat dissipation has become an important choice for new data centers.

In 2022, Inspur Information incorporates "All-in liquid cooling" into its development strategy, with a full stack layout of liquid cooling and the release of full stack liquid cooling products, so that all four series of products, including general-purpose servers, high-density servers, complete cabinet servers, and AI servers, can support cold plate liquid cooling and provide a comprehensive solution for the entire lifecycle of liquid cooling data centers. In order to better promote the industrialization of liquid cooling, Inspur Information has also built the largest R&D base liquid cooling data center in Asia, with industry-leading delivery capabilities for liquid cooling data centers. Inspur Information's liquid cooling products and solutions have been widely used in the fields of Internet, finance, education and scientific research. Among them, Inspur Information and JD Cloud jointly released the Tianshu (ORS3000S) liquid cooled complete cabinet server, achieving a 50% increase in heat dissipation efficiency and a 40% reduction in energy consumption, which has been deployed on a large scale in JD Cloud data centers, providing basic computing power support for JD 618, Double Eleven, and CCTV Spring Festival Gala red envelope interaction in the Year of the Tiger.

In addition, Inspur Information continues to promote the improvement of the liquid cooling standardization system in data centers, of which the standardization is the key to promoting the development of liquid cooling data centers. At present, Inspur Information has more than 300 core patents in the field of liquid cooling technology, has participated in the formulation and publication of more than 10 design technical standards related to cold plate liquid cooling and immersion liquid cooling, and jointly led the establishment of 4 standards for core technologies of cold plate liquid cooling, which has important guiding significance for the rapid development of the liquid cooling industry and the large-scale popularization and construction of liquid cooling technology.

(V) Build an industrial ecosystem to accelerate the digital transformation of the industry

Inspur Information has over 20,000 information ecosystem partners. Among them, there are over 4,400 metabrain ecosystem partners. The Company adheres to the principle of "partner first" and works together with partners to develop a symbiotic computing industry ecosystem, providing customers with full stack and integrated intelligent computing solutions, and accelerating the intelligent transformation of the industry.

IV. Analysis of Main Businesses

1. Overview

During the reporting period, the Company achieved a total operating income of RMB 69.525 billion, with an increase of 3.70% compared to the previous year; operating cost of RMB 61.753 billion, with an increase of 4.00% compared to the previous year; sales expenses of RMB 1.509 billion, with an increase of 3.30% compared to the previous year; management expenses of RMB 708 million, with a decrease of 2.12% compared to the previous year; R&D expenses of RMB 3.23 billion, with an increase of 10.58% compared to the previous year; financial expenses of RMB 84 million, with an increase of 236.76% compared to the previous year, mainly due to the expansion of debt financing scale and an increase in interest expenditure in the current period; net profit attributable to the owners of the parent company of RMB 2.08 billion, with an increase of 3.88% compared to the previous year; net cash flow generated from operating activities of RMB 1.80 billion, with an increase of 121.71% compared to the previous year, mainly due to good sales receipts and reduced purchase payments in the current period.

2. Revenue and cost

(1) Composition of operating income

Unit: RMB

Item	2022		2021		Year-on-year increase or decrease
	Amount	Proportion of operating income	Amount	Proportion of operating income	
Total operating incomes	69,525,458,182.69	100%	67,047,551,558.14	100%	3.70%
By industry					
Electronics industry	69,525,458,182.69	100.00%	67,047,551,558.14	100.00%	3.70%
By product					
Servers and components	68,948,052,085.88	99.17%	64,342,315,534.63	95.97%	7.16%
IT terminals and bulk items	302,537,870.58	0.44%	2,457,630,273.34	3.67%	-87.69%
Others	274,868,226.23	0.40%	247,605,750.17	0.37%	11.01%
By region					
China	60,360,902,206.57	86.82%	59,965,865,602.39	89.44%	0.66%
Overseas	9,164,555,976.12	13.18%	7,081,685,955.75	10.56%	29.41%
By sales model					
Region	14,560,403,022.40	20.94%	13,966,099,540.62	20.83%	4.26%
Industry	54,965,055,160.29	79.06%	53,081,452,017.52	79.17%	3.55%

(2) Industries, products, regions and sales models that account for more than 10% of the Company's operating income or profit

√ Applicable □ Not applicable

Unit: RMB

Item	Operating income	Operating cost	Gross margin	Increase/decrease of operating income over the same period of the previous year	Increase/decrease of operating cost over the same period of the previous year	Increase/decrease of gross margin over the same period of the previous year
By industry						
Electronics industry	69,250,589,956.46	61,592,324,075.85	11.06%	3.67%	3.89%	-0.19%
By product						
Servers and components	68,948,052,085.88	61,316,650,399.12	11.07%	7.16%	7.23%	-0.06%
IT terminals and bulk items	302,537,870.58	275,673,676.73	8.88%	-87.69%	-86.91%	-5.40%
By region						
China	60,086,033,980.34	53,119,355,447.65	11.59%	0.62%	0.73%	-0.10%
Overseas	9,164,555,976.12	8,472,968,628.20	7.55%	29.41%	29.34%	0.06%
By sales model						
Region	14,285,534,796.17	11,413,589,386.20	20.10%	2.29%	-0.57%	2.29%
Industry	54,965,055,160.29	50,178,734,689.65	8.71%	4.03%	4.96%	-0.80%

In case of changes in the statistical caliber of main business data in the reporting period, the Company will refer to the main business data after adjustment in recent 1 year

□ Applicable Not applicable

(3) Whether the physical sales revenue of the Company is more than that of service revenue

Yes No

Industry category	Item	Unit	2022	2021	Year-on-year increase or decrease
Electronics industry	Sales volume		1,556,333.00	1,813,032.00	-14.16%
	Production capacity		1,579,170.00	1,830,135.00	-13.71%
	Inventory		238,619.00	215,782.00	10.58%

Description for reasons of relevant year-on-year data changing over 30%

Applicable Not applicable

(4) Performance of major sales contract and major purchase contract which has been signed by the Company until the reporting period

Applicable Not applicable

(5) Operating cost composition Industry and product category

Unit: RMB

Industry category	Item	2022		2021		Year-on-year increase or decrease
		Amount	Proportion of operating cost	Amount	Proportion of operating cost	
Electronics industry		61,753,123,449.87	100.00%	59,379,318,169.68	100.00%	4.00%

Unit: RMB

Product category	Item	2022		2021		Year-on-year increase or decrease
		Amount	Proportion of operating cost	Amount	Proportion of operating cost	
Servers and components		61,316,650,399.12	99.29%	57,180,666,778.85	96.30%	7.23%
IT terminals and bulk items		275,673,676.73	0.45%	2,106,686,418.17	3.55%	-86.91%
Other businesses		160,799,374.02	0.26%	91,964,972.66	0.15%	74.85%

Description

N/A

(6) Changes in the consolidation scope during the reporting period changes

Yes No

(1) Newly established subsidiaries in the current period:

In September 2022, our wholly-owned subsidiaries Inspur (Jinan) Computer Technology Co., Ltd. and Jinan Inspur Yunhai Computer Technology Co., Ltd. jointly invested in the establishment of Suzhou Intelligent Computing Technology Co., Ltd. with a registered capital of RMB 8 million, of which Inspur (Jinan) Computer Technology Co., Ltd. invested RMB 5.2 million, holding 65% of the shares, and Jinan Inspur Yunhai Computer Technology Co., Ltd. invested RMB 2.8 million, holding 35% of the shares.

In October 2022, our wholly-owned subsidiary Inspur Electronic Information (Hong Kong) Co., Ltd. established INSPURELECTRONICINFORMATIONSSINGAPOREPTE.LTD, with a registered capital of SGD 500,000 and a shareholding ratio of 100%.

(2) Subsidiaries cancelled in the current period:

In September 2022, the Company cancelled the wholly-owned subsidiary Inspur (Tianjin) Electronic Information Technology Co., Ltd.

In December 2022, the Company cancelled the wholly-owned subsidiary Anhui Inspur Electronic Information Industry Co., Ltd. and the controlling subsidiary Dingtian Shenghua (Beijing) Software Technology Co., Ltd.

(7) Significant change or adjustment about the Company's business, product or service during the reporting period

Applicable Not applicable

(8) Main sales customers and main suppliers

Company's main sales customers

Total sales of top five customers (RMB)	22,374,587,755.82
Proportion of total sales of top five customers in total annual sales	32.18%
Proportion of the related party's sales amount to the total sales amount among the sales of the top five suppliers	0.00%

Information of top 5 customers of the Company

S/N	Customer name	Sales (RMB)	Proportion of total sales amount of the year
1	Customer 1	10,111,895,636.02	14.54%
2	Customer 2	5,600,970,402.63	8.06%
3	Customer 3	2,509,218,254.82	3.61%
4	Customer 4	2,315,003,029.54	3.33%
5	Customer 5	1,837,500,432.81	2.64%
Total	—	22,374,587,755.82	32.18%

Description on other situations of main customers

Applicable Not applicable

Company's main suppliers

Total purchase amount of top five suppliers (RMB)	25,956,732,964.51
Proportion about total purchase amount of top five suppliers accounting for total purchase amount of the year	47.83%
Proportion of the related party's purchase amount to the total purchase amount among the procurement of the top five suppliers	0.00%

Information of top five suppliers of the Company

S/N	Supplier name	Purchase amount (RMB)	Proportion of total purchase amount of the year
1	Supplier 1	7,692,223,302.55	14.17%
2	Supplier 2	5,721,186,719.31	10.54%
3	Supplier 3	4,952,602,728.45	9.13%
4	Supplier 4	4,359,882,731.69	8.03%
5	Supplier 5	3,230,837,482.51	5.95%
Total	—	25,956,732,964.51	47.83%

Description on other situations of main suppliers

Applicable Not applicable

3. Expense

Unit: RMB

Item	2022	2021	Year-on-year increase or decrease	Description on significant changes
Sales expenses	1,508,901,480.78	1,460,708,162.61	3.30%	
Management expenses	708,341,433.17	723,675,429.67	-2.12%	
Financial expenses	83,511,175.83	-61,064,951.14	236.76%	Mainly due to the expansion of debt financing scale in the current period and the increase in interest expenditure
R&D expenses	3,230,426,011.38	2,921,294,813.57	10.58%	

4. R&D investment

Applicable Not applicable

Company's R&D personnel

Item	2022	2021	Variable proportion
Number of R&D personnel (person)	3,153	3,002	5.03%
Proportion of R&D personnel	42.07%	40.45%	1.62%
Educational background structure of R&D personnel			
Undergraduate	1,878	1,864	0.75%
Master	1,109	1,010	9.80%
Composition of R&D personnel by age			
Less than 30 years old	914	899	1.67%
30-40 years old	1,930	1,857	3.93%

Company's R&D investment

Item	2022	2021	Variable proportion
R&D investment amount (RMB)	3,715,264,521.64	2,832,643,581.97	31.16%
Proportion of R&D investment in operating income	5.34%	4.22%	1.12%
Amount of capitalized R&D investment (RMB)	0.00	0.00	0.00%
Proportion of capitalized R&D investment in R&D investment	0.00%	0.00%	0.00%

Reasons for major changes in the composition of the Company's R&D personnel and its effects

Applicable Not applicable

Reasons for major changes of proportion of total R&D investment amount in operating income compared with last year

Applicable Not applicable

Reasons for significant changes in R&D investment and its reasonable description

Applicable Not applicable

5. Cash flow

Unit: RMB

Item	2022	2021	Year-on-year increase or decrease
Subtotal of cash inflow from operating activities	80,052,188,594.47	75,912,473,940.69	5.45%
Subtotal of cash outflow from operating activities	78,252,196,682.41	84,202,047,912.68	-7.07%
Net cash flow generated from operating activities	1,799,991,912.06	-8,289,573,971.99	121.71%
Subtotal of cash inflow from investing activities	2,626,056,194.59	33,808,122,406.97	-92.23%
Subtotal of cash outflow from investing activities	3,347,784,200.61	30,253,264,195.15	-88.93%
Net cash flow generated from investing activities	-721,728,006.02	3,554,858,211.82	-120.30%
Subtotal of cash inflow from financing activities	23,335,370,593.01	12,773,584,906.17	82.68%
Subtotal of cash outflow from financing activities	22,806,666,798.15	10,700,734,006.96	113.13%
Net cash flow generated from financing activities	528,703,794.86	2,072,850,899.21	-74.49%
Net increase in cash and cash equivalents	1,737,682,064.60	-2,693,636,111.34	164.51%

Description on main influencing factors for significant year-on-year changes in relevant data

Applicable Not applicable

1. The net cash flow generated from operating activities was RMB 1.80 billion, with a year-on-year increase of 121.71%, mainly due to good sales receipts and reduced purchase payments in the current period.

2. The net cash flow generated from investing activities was RMB -722 million, with a year-on-year decrease of 120.30%, mainly due to the decrease of financial products for redemption and the increase of fixed asset investment in the current period.

3. The cash flow generated from financing activities was RMB 528 million, with a year-on-year decrease of 74.49%, mainly due to a decrease in net financing caused by the funding needs. Description on reasons for significant difference between cash flow and net profit in the current year of the Company caused by operating activities within the reporting period

Applicable Not applicable

V. Analysis of Non Main Businesses

Applicable Not applicable

VI. Analysis of Assets and Liabilities

1. Significant changes in assets composition

Unit: RMB

Item	End of 2022		2022		Increase/decrease in proportion	Description on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary capital	9,009,535,556.29	21.97%	7,277,279,340.91	15.75%	6.22%	
Accounts receivable	11,041,407,202.22	26.92%	11,969,771,797.48	25.90%	1.02%	
Inventory	15,024,631,936.27	36.63%	22,402,228,567.57	48.48%	-11.85%	The inventory at the end of the period decreased by 32.93% compared to the beginning of the period, mainly due to the easing of the tight supply of raw materials in the current period and the decrease in the Company's material procurement;
Investment property	89,127,311.79	0.22%	92,615,702.43	0.20%	0.02%	
Long-term equity investment	360,126,122.18	0.88%	306,872,633.81	0.66%	0.22%	
Fixed assets	1,215,186,230.72	2.96%	979,437,091.63	2.12%	0.84%	
Construction in progress	841,195,769.28	2.05%	121,384,942.40	0.26%	1.79%	

Right-of-use assets	60,107,052.06	0.15%	54,564,151.39	0.12%	0.03%	
Short-term borrowings	4,954,374,375.02	12.08%	4,558,032,922.89	9.86%	2.22%	
Contract liabilities	1,697,983,684.48	4.14%	1,687,428,845.01	3.65%	0.49%	
Long-term borrowings	4,221,529,691.11	10.29%	1,510,288,931.61	3.27%	7.02%	
Lease liabilities	44,036,600.84	0.11%	39,318,738.03	0.09%	0.02%	
Accounts payable	9,301,153,769.05	22.68%	17,753,554,347.60	38.42%	-15.74%	Accounts payable at the end of the period decreased by 47.61% compared to the beginning of the period, mainly due to the decrease in raw material procurement and the decrease in accounts payable at the end of the period.

Higher proportion of overseas assets

Applicable Not applicable

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Gain or loss from changes in fair value in the current period	Changes in the cumulative fair value included in equity	Impairment accrued in the current period	Purchase amount of the current period	Sales amount of the current period	Other changes	Closing balance
Financial assets								
1. Trading financial assets (excluding derivative financial assets)	400,068,219.18							32,761,494.45
Sub-total of financial assets	400,068,219.18							32,761,494.45
Notes receivable measured at fair value with changes included in other comprehensive incomes	263,818,771.47							572,890,885.59
Accounts receivable measured at fair value with changes included in other comprehensive incomes	18,318,958.03							2,373,621.26
Total of the above	682,205,948.68							608,026,001.30
Financial liabilities	3,016,539.09							0.00

Contents of other changes

Significant changes in major asset measurement attributes of the Company in reporting period

Yes No

3. Restriction of asset right by the end of the reporting period

Item	Ending book value	Reasons for restriction
Monetary capital	13,433,459.98	Margin deposit
Fixed assets	181,636,957.02	Mortgage of US land and factory buildings for borrowings
Total	195,070,417.00	

VII. Investment Situation Analysis**1. General condition**

Applicable Not applicable

Investment amount during the reporting period (RMB)	Investment amount in the same period of last year (RMB)	Amount of variation
360,126,122.18	306,872,633.81	17.35%

2. Significant equity investment obtained within the reporting period

Applicable Not applicable

3. On-going significant non-equity investment within the reporting period

Applicable Not applicable

4. Investments in financial assets**(1) Securities investment**

Applicable Not applicable

The Company involves no securities investment in the reporting period.

(2) Derivative investment

Applicable Not applicable

1) Derivative investment for hedging during the reporting period

 Applicable Not applicable

Unit: RMB 0,000

Derivative investment type	Initial investment amount	Gain or loss from changes in fair value in the current period	Changes in the cumulative fair value included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Ending amount	Proportion of investment amount at the end of the period in Company's net assets at the end of the reporting period
Foreign exchange forwards				272,643.29	272,643.29		0.00%
Interest rate swap contract	6,136.89	838.84				6,457.90	0.37%
	6,136.89	838.84		272,643.29	272,643.29	6,457.90	0.37%
Accounting policies and specific accounting principles for hedging business during the reporting period, as well as description on significant changes compared to the previous reporting period	The accounting policies and accounting principles of the Company's derivatives during the reporting period have not undergone significant changes compared to the previous reporting period.						
Description on actual profit and loss during the reporting period	The actual profit and loss of exchange forward contracts during the reporting period was RMB 11.7947 million, and the actual profit and loss of interest rate swap contracts was RMB 8.3884 million						
Description on hedging effects	N/A						
Source of derivative investment funds	Self-owned funds						
Risk analysis for derivative holding a position during the reporting period and description on control measures (including but not limited to market risks, liquidity risks, credit risks, operation risks and legal risks)	For specific risk analysis and control measures, refer to the <i>Announcement on Proposed Financial Derivatives Trading Business</i> disclosed by the Company on April 9, 2022. For specific risk analysis and control measures, refer to the <i>Feasibility Analysis Report on Conducting Financial Derivatives Trading Business</i> disclosed by the Company on April 27, 2022						
Changes in market price or fair value of invested derivatives during the reporting period, analysis of fair value of derivatives, as well as specific use method and related assumption and parameter settings	The fair value of invested derivatives at the end of the reporting period is determined based on market quotes from external financial institutions.						

Litigation-related situation (if applicable)	N/A
Announcement disclosure date of the Board of Directors for approval of derivatives investment (if any)	April 18, 2022
Announcement disclosure date of the Shareholders' Meeting for approval of derivatives investment (if any)	April 30, 2022
Special opinion on situations of Company's derivative investment and risk control from independent directors	1. The Company's financial derivative trading business aimed at risk prevention is conducive to avoiding the risks of exchange rate and interest rate fluctuations, which is in line with the needs of the Company's business development. 2. The Company has formulated the <i>Management System for Foreign Exchange Derivatives Trading Business</i> , strengthened the risk management and control of derivatives trading, and fulfilled corresponding decision-making procedures and information disclosure obligations for related businesses. There is no situation that harms the interests of the Company and all shareholders, especially minority shareholders.

2) Derivative investment for speculation during the reporting period

Applicable Not applicable

During the reporting period, the Company does not have derivative investment for speculation.

5. Use of the raised funds

Applicable Not applicable

The Company does not use the raised funds during the reporting period.

VIII. Sale of Significant Assets and Equity

1. Sale of significant assets

Applicable Not applicable

The Company does not sell significant assets in the reporting period.

2. Sale of significant equity

Applicable Not applicable

IX. Analysis of Main Controlling and Shareholding Companies

Applicable Not applicable

Main subsidiaries and shareholding companies which can exert 10% or above net profit influence on the Company

Unit: RMB

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Inspur Electronic Information (Hong Kong) Co., Ltd.	Subsidiary	Technology development, consulting, introduction and exchange, import and export trade, foreign investment business	USD 10,000	8,315,716,774.01	226,388,703.26	29,501,134,332.81	6,808,312.32	7,663,120.69
Inspur (Hong Kong) Electronics Co., Ltd.	Subsidiary	Electronic component trading	HKD 1 million	3,578,869,857.43	1,084,800,791.44	15,194,142,421.45	42,047,183.79	34,854,746.51
Inspur (Beijing) Electronic Information Industry Co., Ltd.	Subsidiary	Sales of computer software, hardware and auxiliary equipment	RMB 52.5 million	1,379,893,484.89	355,695,841.10	6,307,908,147.70	2,470,744.37	9,696,535.71
Shandong Inspur Import and Export Co., Ltd.	Subsidiary	Import and export of goods and technologies	RMB 630,723,400	3,441,398,193.67	183,759,783.00	6,403,775,724.58	37,338,077.68	32,054,550.36
Guizhou Inspur Yingxin Technology Co., Ltd.	Subsidiary	Development, production and sales of computer software, hardware and auxiliary equipment	RMB 20 million	532,498,978.87	117,728,385.11	3,399,471,179.80	11,560,596.11	9,801,424.15
Inspur Systems, Inc.	Subsidiary	R&D, production and sales of servers	USD 2 million	1,655,685,767.92	121,433,084.97	4,420,763,411.28	121,975,417.36	76,313,534.28
Suzhou Inspur Intelligent Technology Co., Ltd.	Subsidiary	R&D, production, and sales of computer software, hardware, and electronic components	RMB 385 million	1,211,256,697.74	533,031,047.53	3,131,345,765.70	111,643,935.39	110,427,094.81
Inspur Power Commercial Systems Co., Ltd.	Subsidiary	Development, production and sales of computer software, hardware and auxiliary equipment	RMB 1 billion	1,451,773,384.68	688,745,419.17	1,040,861,448.80	3,159,263.39	2,387,974.06

Acquisition and disposal of subsidiaries within the reporting period

Applicable Not applicable

Company name	Acquisition and disposal method of subsidiaries within the reporting period	Influence on overall production, operation and performance
Suzhou Intelligent Computing Technology Co., Ltd.	Newly-established	No significant influence
INSPUREL ELECTRONIC INFORMATION SINGAPORE PTE. LTD.	Newly-established	No significant influence
Inspur (Tianjin) Electronic Information Technology Co., Ltd.	Deregistration	No significant influence
Anhui Inspur Electronic Information Industry Co., Ltd.	Deregistration	No significant influence
Dingtian Shenghua (Beijing) Software Technology Co., Ltd.	Deregistration	No significant influence

Main controlling and shareholding companies

X. Structured Entities under the Control of the Company

Applicable Not applicable

XI. Outlook for the Future Development of the Company

(I) Company's future development strategy and business plan

The rapid development achievements achieved by Inspur Information are attributed to the Company's forward-looking judgment on the computing industry, active implementation of intelligent computing strategy, as well as continuous innovation in the field of intelligent computing based on products, technology, and ecology.

On February 27, 2023, the *Plan for the Overall Layout of Building a Digital China* was released, which pointed out that to empower economic and social development, it is necessary to (1) strengthen and expand the digital economy; (2) develop efficient and collaborative digital governance; (3) build a confident and prosperous digital culture; (4) build an inclusive and convenient digital society, and (5) build a green and intelligent digital ecological civilization. At present, intelligent computing has become the core productivity of digital development in the economy and society. Inspur Information will continue to implement the "intelligent computing" strategy, adhere to the principle of openness and open source, improve and strengthen product technology layout, develop open computing and AI computing, provide computing power support for intelligent computing centers, promote computing infrastructure and inclusiveness, and build a solid computing power foundation for the development of the digital economy and the construction of digital China.

(II) Main risks that the Company's business development may face and corresponding measures

1. Market risks brought about by macroeconomic fluctuations: the operational development of the server industry is closely related to the overall macroeconomic development of the country, and the Company's product sales, operating performance, financial status, and development prospects are closely related to the macroeconomic situation. The sustained slowdown of global economic growth in the future or short-term severe macroeconomic fluctuations in China may affect downstream demand in the server industry, leading to a slowdown in demand growth in the server market and posing a risk of declining business performance, which will have a certain adverse impact on the Company's business development. In this regard, the Company will adhere to a long-term overall development strategy centered on intelligent computing, break through core technologies through independent R&D and innovation, better understand customer applications, and capture the latest changes in applications, leading the industry and seizing new growth opportunities in the market.

2. Market competition risks: the server industry in which the Company operates belongs to a combination of knowledge intensive and capital intensive industries, with high entry barriers. Only a few manufacturers worldwide have mastered relevant technologies and formed production scales, resulting in high market concentration. At present, the Company's server business mainly faces market competition from well-known enterprises at home and abroad. In this regard, the Company will continue to increase R&D investment, introduce and cultivate core technology leaders, strengthen the construction of R&D teams, create "diamond" products, and improve product efficiency; additionally, the Company will also increase its marketing and brand promotion efforts, strengthen market channel development, enhance its own strength, and consolidate its market position.

3. Exchange rate fluctuation risks: in view of the business model characteristics of the server industry in which the company operates, the Company purchases some raw materials through import trade, and exports and sells some products, so during the reporting period, the Company had significant import and export trade. As a result, the significant exchange rate fluctuations will have a direct impact on the Company's import and export business. Based on the real trading background, the Company adopts various effective hedging measures to prevent exchange rate fluctuation risks.

4. Increased labor cost risks: the R&D, production, sales, and after-sales services of the Company's main products are labor-intensive businesses. With the continuous development of China's national economy, the overall income level of Chinese employees is constantly improving, and the average annual wage level is showing a continuous upward trend. In this regard, the Company is committed to enhancing product profitability and strengthening cost control to reduce the adverse impact of increased labor costs on the overall profitability of the Company.

5. Innovation risks due to technological updating: under the trend of further accelerated development of information technology, the server industry in which the company operates has high requirements for product R&D speed, supply efficiency, and service response speed of supporting technologies. In the future, if the Company cannot achieve breakthroughs in technological research and development or timely update its technology, develop new products with independent intellectual property rights, or technological research and development cannot better meet market demand, the Company's competitive advantage may weaken, leading to the risk of customer churn. In this regard, the Company will increase investment in product R&D and technological innovation to achieve technological updating of products, better adapting to market changes, and winning market opportunities.

6. Management risks: in recent years, with the continuous expansion of the Company's business scale and the gradual increase in the number of subsidiaries, higher requirements have been put forward for the Company's business management, financial planning, internal control, and human resource allocation. In this regard, the Company will optimize its internal governance structure and organizational structure, and improve its internal control system to ensure its sustained, stable, and rapid development.

7. Supply chain risks

At present, the raw materials in the domestic server industry are mainly imported. Although the supply is relatively stable, in the context of intensified international trade frictions and increasingly complex geopolitics, Chinese server manufacturers will face the risk of supplying core components. The main raw materials for the Company's servers include CPUs, hard disks, memory, etc. Affected by the long-term supply chain ecological environment formed by the industry, the concentration of suppliers for core components used by server manufacturers in this industry is high, so significant changes in the core component manufacturers will have a certain impact on the Company's operations.

XII. Receipt of Research, Communication, Interviews and Other Activities during the Reporting Period

Applicable Not applicable

Reception time	Reception place	Reception mode	Reception object type	Reception object	Main contents talked about and materials provided	Index of basic situation of research
April 13, 2022	Conference room of the Company	Telephone communication	Institution	215 institutional investors in total	Refer to the Investor Relations Activity Record Form (No. 2022-001) for details	Cninf (http://www.cninfo.com.cn)
May 20, 2022	Hudongyi Platform - Cloud Interview Column (http://irm.cninfo.com.cn)	Telephone communication	Others	Investors participating in this online performance explanation session through online means	Refer to the Investor Relations Activity Record Form (No. 2022-002) for details	Cninf (http://www.cninfo.com.cn)
September 6, 2022	Conference room of the Company	Telephone communication	Institution	16 institutional investors in total	Refer to the Investor Relations Activity Record Form (No. 2022-003) for details	Cninf (http://www.cninfo.com.cn)
November 16, 2022	"Investor Relations Interactive Platform" (www.quanjing.com)	Telephone communication	Others	Investors participating in this online collective reception day event through online means	Refer to the Investor Relations Activity Record Form (No. 2022-004) for details	Cninf (http://www.cninfo.com.cn)

Section III Discussion and Analysis of the Management

I. Industry Situation of the Company during the Reporting Period

On February 27, 2023, the Central Committee of the Communist Party of China and the State Council issued the *Plan for the Overall Layout of Building a Digital China*, which clearly states that the construction of digital China will be laid out according to the overall framework of "2522", namely consolidating the "two foundations" of digital infrastructure and data resource system, promoting the deep integration of digital technology with "five-sphere integrated plan" (economic, political, cultural, social and ecological progress), strengthening the "two capabilities" of digital technology innovation system and digital security barrier, and optimizing the domestic and international "two environments" for digital development.

In order to accelerate the construction of digital China, computing power is the digital foundation and important driving force. According to the *Global Computing Index 2022-2023*, against the backdrop of sluggish global GDP growth, the digital economy maintains strong growth. For every 1 point increase in the computing index on average, the digital economy and GDP will grow by 3.6% and 1.7%, respectively. The development level of computing power in various industries shows an upward trend, and increasing investment in computing power can better empower digital industrialization and industrial digitization.

In 2023, big models and generative AI have sparked a global wave of AI, driving the booming development of the computing market. According to the *2023-2024 China Artificial Intelligence Computing Power Development Evaluation Report*, AI is accelerating its transition from perceptual intelligence to generative intelligence, and the scale of China's AI computing market is rapidly growing and expanding. In 2023, the scale of China's AI server market will reach RMB 65 billion, with a year-on-year increase of 82.5%; The scale of intelligent computing power is expected to reach 414.1 EFLOPS, with a year-on-year increase of 59.3%.

II. Main Businesses Engaged by the Company during the Reporting Period

Inspur Information is the world's leading provider of IT infrastructure products, solutions and services, and its business covers three key areas: computing, storage and network. It provides all-round digital solutions, including cloud computing, big data, AI and edge computing. The Company adheres to the concept that "computing power is productivity, and intelligent computing power is innovation power", and is committed to promoting the continuous progress of social civilization through continuous innovation in computing technology.

Adhered to the "intelligent computing" strategy, the Company promotes the evolution of integrated architecture, builds an open and integrated computing ecosystem, and constructs intelligent computing platforms that meet diverse scenarios for customers, which empowers the digital and intelligent transformation of various industries, promoting the construction and development of computing infrastructure, and providing surging power for digital and intelligent transformation with universal and inclusive computing power.

Through continuous improvement of the server software and hardware research and development system based on customer needs, the Company has formed a series of cloud computing IaaS layer products with independent intellectual property rights, covering various high, medium, and low end servers. Moreover, the Company is in a global leading position in the fields of AI computing, open computing, and green computing leading the development and evolution of AI industrialization, industrial AI, and new infrastructure for intelligent computing.

In 2023, the Company continues to focus on intelligent computing represented by cloud computing, big data, and AI, and innovate in R&D, production, delivery, service models, and other aspects. According to the latest data released by Gartner and IDC, the Company's market share in servers and storage products remain among the top in the world:

In 2023, servers ranked second globally and first in China;

In 2023, storage products ranked among the top three globally and first in China;

In 2023, liquid cooled servers ranked first in China.

III. Analysis on Core Competitiveness

In 2023, facing the opportunities of digital and intelligent transformation, the Company focuses on intelligent computing strategy, innovates computing power supply models, leads innovative development in the fields of intelligent computing, open computing, and green computing, makes full use of its leading advantages in data center core equipment, overall solutions, and AI computing full stack capabilities, and innovates product technology and ecological construction to meet the intelligent computing needs of customers in diverse application scenarios.

(I) Realize technological breakthroughs and lead cutting-edge innovation

Focusing on technology research and development is not only a prerequisite for the Company's past performance, but also a foundation for continued rapid growth in the future. The Company has developed China's first complete cabinet server, the first OTII edge server, and the world's highest computing density AI server. Through technological breakthroughs, it has ultimately changed the industry landscape and became one of the world's top two server suppliers.

Focusing on technological research and development and mastering core technologies has become the Company's innovation power. The Company has created multiple firsts in the field of computing equipment. In 2014, the Company's key computing server "TS K1" won the first prize of the National Science and Technology Progress Award; the number of valid patents for servers ranks first in China. In 2023, it won the highest award in the field of intellectual property, the "China Patent Gold Award", which is also the first patent gold award in the field of servers in China. In the high-end field, the Company is one of the few manufacturers that master the core technologies of high-end information equipment such as high-end servers and large storage, etc. The dual wing scalable multi-processor developed by the Company adopts a tightly coupled shared memory architecture, which realizes multi plane interconnection redundancy and single hop 32-path expansion of interconnection networks, and is the first host architecture technology in China to obtain international PCT patent authorization.

Leading the forefront of innovation, the Company continues to develop intelligent computing technology systems centered on large computing power and big models. In terms of computing technology, after proposing an integrated architecture and a three-step technical roadmap in 2014, the Company completed versions 1.0 and 2.0, respectively implementing "Server as a Computer" and "Rack as a Computer". In 2023, the Company proposed a data-centric architecture, and completed the development and design of an integrated architecture 3.0 prototype system, implementing "Data Center as a Computer". Due to the adoption of the Company's self-developed industry first internal bus core switch and PCIe/CXL optical interconnect technology, the integrated architecture 3.0 heterogeneous accelerator reduces the average data access latency between computing units by 80%, and can expand memory capacity by twice. With a groundbreaking system architecture design, core IT resources (such as computing, storage, memory, and heterogeneous acceleration resources, etc.) are completely decoupled and pooled, enabling computing power collaboration among CPU, GPU, FPGA, and various acceleration chips, and supporting asynchronous resource pooling upgrades, fine-grained multi host sharing of high concurrency storage, and sub microsecond level remote memory sharing access. It can be defined through software to achieve "a set of systems, N-class applications" alleviating the current computing bottleneck in data centers.

Based on the innovative computing architecture, the Company is evolving from the second stage characterized by single-mode and self-supervised learning to the third stage characterized by multi-mode and self-supervised learning in terms of algorithm models, proposing intelligent algorithms for large models with continuous improvement in accuracy. In 2023, the Company released the latest "Source 2.0" big model, which adopts a new localized filtering-based attention (LFA). Compared with the attention under the traditional Transformer architecture, LFA has a more accurate understanding of the association semantics of natural language and can improve model accuracy. In terms of training, Source 2.0 adopts a distributed training method of non-uniform pipelined computation and optimizer parameter parallelism, reducing the demand for inter chip P2P bandwidth for big models. Moreover, based on the algorithm innovation of LFA architecture, Source 2.0 has explored a new direction to improve model accuracy under limited computing resources, limited data quality, and limited parameter scale. Although the maximum parameter count is only one hundred billion, it can achieve high-level performance in mathematical logic, code generation, knowledge quiz, Chinese-English translation, semantic understanding, and other aspects. According to the evaluation results, Source 2.0 model performs excellently in both Human Eval, GSM8K, and college entrance examination mathematics.

The Company has led or participated in all national standards for servers, and is the only server supplier to join the world's four major open computing organizations simultaneously. In addition, it is also one of the first founding members of the OCTC, promoting infrastructure innovation and sustainable development of data centers, and enabling open computing to benefit the entire industry. Moreover, it is also a member of the Open System Steering Committee (OSSC) and is re-elected as the Chairman of the SPECML (Machine Learning) Technical Committee in the global SPEC, dedicated to the development of benchmark testing in the AI related industry.

(II) Seize the opportunities of intelligent development and achieve early layout

In 2023, the AI-generated content (AIGC) development boom triggered by ChatGPT has attracted widespread attention and exploration from global enterprises on the layout of AIGC, accelerating the development of intelligence in various industries and fields. Inspur Information seizes the opportunities of intelligent development, builds a full stack AI big model computing system, and accelerates the formation of the intelligent industry by innovating computing power, algorithms, and data infrastructure.

In terms of computing power, the Company continues to promote technological innovation in the AIGC field and strengthen its business layout in the fields of computing power, algorithms, and scheduling systems. In terms of product technology innovation, the Company launched a new generation of G7 computing platform in 2023, covering 46 new products for application scenarios such as cloud computing, big data, and AI, etc. It adopts the most advanced computing, storage, and interconnection technologies to create general-purpose computing, AI computing, high-end computing, application optimization products, whole machine cabinets, and all-in-one machines. Moreover, it supports the widest range of general-purpose processors and acceleration chips, achieving full computing power business scenario coverage, and has created multiple performance records since its launch. According to the big model test, the latest generation of AI training server NF5688G7 with integrated architecture has improved its performance by nearly 7 times compared to the previous generation platform. Meanwhile, the Company also released a new generation of AI server NF5698G7 for generative AI based on open acceleration module OAM high-speed interconnection.

In terms of algorithms, the Company continues to promote technological innovation in the fields of cultural, biological, and multimodal models, and promote industrial development and application in intelligent customer service, smart government, and intelligent cultural and creative fields. Through the "Source 1.0" open source and openness plan, open model APIs, toolchains, and datasets, the Company has built an "open and win-win" developer community ecosystem to help developers innovate quickly. Currently, the "Source Developer Community" has gathered nearly 10,000 high-level developers and incubated numerous innovative applications. The "Source 2.0" basic big model released in 2023 includes models with three parameter scales of 102.6 billion, 51.8 billion, and 2.1 billion. As the first fully open source parameter model with a value of one hundred billion, "Source 2.0" performs excellently in programming, reasoning, logic, and other aspects. The open source and openness of "Source 2.0" are expected to solve the computational, algorithmic, and data challenges of implementing big models with a prosperous open source model ecosystem, superior open source big model performance, and excellent instruction fine-tuning strategies (fine-tuning algorithms, frameworks, etc.), providing a solid foundation for global developers, research institutions, and technology enterprises, unleashing productivity, and stimulating infinite innovation power.

In terms of AI software infrastructure (AI Infra), the Company continues to innovate and iterate, developing the big model intelligent computing software branch Open GenAI Infra (OGAI), providing AI computing system environment deployment, computing power scheduling guarantee, model development management, and model application innovation capabilities for big model businesses, helping users quickly build and run their own big model businesses, reducing technical barriers and costs, and improving development efficiency and application value. Among them, the Inspur Information AI Station Intelligent Business Production Innovation Platform is an efficient AI resource platform for enterprise AI development and inference scenarios, achieving unified scheduling of computing power and one-stop efficient delivery of the entire process of model development, training, testing, and publishing, accelerating the entire process of environment construction, model development, model training, model evaluation, and model deployment, and helping customers accelerate AI development and application innovation.

In terms of data infrastructure, Inspur Information Storage adheres to the product concept of "Storage as a Platform" and lays out platform based products such as centralized storage, backup, and archive storage. It has mastered the full stack core technology from core components to storage systems and scenario solutions, and has become a major supplier of user core businesses such as banking, insurance, securities, and communication, etc. In 2023, Inspur Information was the first in the industry to release a generative AI storage solution, which has three major capabilities: ultimate integration, ultimate performance, and ultimate energy conservation. Through the full lifecycle management of hot, warm, cool and cold data, it has helped the implementation of generative AI applications in various industries.

(III) Practice the concept of open computing and lead the open computing system

Open computing is becoming the main innovation force in current and even future data centers, solving major issues of sustainable development of infrastructure in data centers through innovative models of global collaboration. Inspur Information has always adhered to the open source and open technology route, promoted the industrialization of open computing, and accelerated the inclusiveness of open source technology.

In 2023, Inspur Information, as one of the first founding members, led the establishment of the OCTC, with the aim of open co construction and collaborative innovation, focusing on technologies and products in the fields of computing, storage, network, management and operation, and data center infrastructure for innovation, building globally leading norms and standards, and creating an open, collaborative, prosperous, and globally influential industrial ecosystem. In addition, as a core member of the three global open computing organizations (OCP, ODCC, and OpenI9), Inspur Information has become increasingly involved in the open community, from participating in the development of design specifications to the development of standards, to leading the formulation of standards.

At present, Inspur Information has participated in the establishment of standards and specifications for AI, edge, and other fields, taken the lead in all server national standards, OAM standards, Scorpio standards, edge OTII standards, OpenBMC, OpenRMC management standards, etc., and led cabinet computing technology projects, aiming to define an efficient and unified universal technical solution for complete cabinet servers, solve high customization of components, fragmentation of industrial ecology, incomplete ecological chain and other issues caused by inconsistent standards, and achieve large-scale promotion of complete cabinet servers. In 2023, Inspur Information released the *Open Accelerator AI Server Design Guide* to the entire industry, providing reference for AI accelerator card and system design. The *General specification for Smart Rack*, led by Inspur Information, is the first standard for complete cabinet servers established for the general market, which is of great significance for promoting the full industry scale promotion of complete cabinet servers. In order to meet the diverse computing needs of data centers, InBry, a server management firmware platform based on OpenflIC, has been released by Inspur Information, and it has been integrated with InManage, a data center cluster management platform, to promote the formation of refined management throughout the entire lifecycle from components to servers to data centers.

(IV) Lay out liquid cooling throughout the stack, and practice green "carbon peaking and carbon neutrality"

Under the global green transformation and the "carbon peaking and carbon neutrality" targets, energy conservation and carbon reduction issues have always been a concern for data centers, which are major carbon emitters.

Inspur Information implements the "Allin liquid cooling" strategy and promotes green carbon reduction in data centers. In terms of products, the Company has released full stack liquid cooled products, achieving support for cold plate liquid cooling in all four series of products: general-purpose servers, high-density servers, complete cabinet servers, and AI servers. In addition, the Company also continues to innovate in full liquid cooled cabinets and cabinet type cold capacity distribution units, and improve its data center product systems. In terms of system solutions, the Company provides a comprehensive solution for the entire lifecycle of liquid cooled data centers, with a full line layout from the outdoor primary side cold source to the indoor secondary side CDU, liquid cooled connection system, liquid cooled server, etc., to create a green and energy-saving data center turnkey project for users in all aspects. At present, Inspur Information's liquid cooled products and solutions have been deployed in batches in many leading Internet companies, as well as in the fields of finance, education and scientific research.

Furthermore, Inspur Information promotes R&D and innovation of liquid cooling technology. In order to solve the problem of coolant leakage from the root, Inspur Information has pioneered a power unit called liquid ring vacuum CDU, which can make the secondary side of the liquid cooled system negative pressure, so that the hidden danger of liquid leakage is completely eliminated. This technological innovation breaks through the "law" that liquid circulation flow can only be achieved by using high-pressure water pumps in the liquid cooling circulation system, realizes the circulation flow of fluid only by relying on the vacuum pump to control the function switching of multiple chambers through different sensors, which is extremely simple in technology and also realizes a significant increase in reliability, promoting the popularization of cold plate liquid cooling technology.

In addition, through close cooperation with the upstream and downstream of the liquid cooling industry chain, Inspur Information leads the construction of liquid cooling patents and standards, promoting the healthy development of the liquid cooling industry. Up to now, Inspur Information has over 500 core patents in the field of liquid cooling technology, participated in the formulation and publication of more than 10 design technical standards related to cold plate liquid cooling and immersion liquid cooling, and led the development of the national standard *General Specification for Modular Data Centers* and the establishment of the first batch of association standards for cold plate liquid cooling core components in China, which has important guiding significance for the rapid development of the liquid cooling industry and the large-scale popularization of liquid cooling technology.

(V) Accelerate self intelligent transformation, and innovate operational models

The transformation of cloud computing has brought about the maximization of data centers and the centralization of applications, driving the server industry from a standardized model to a large-scale customized model.

The JDM joint development model created by Inspur Information is based on the integration with the user industry chain, targeting specific business needs of users, connecting demand, R&D, production, and delivery links, integrating supply and demand business chains, and providing users with fully customized products and services.

Based on the JDM model, the Company has innovated in R&D, supply chain, production, and services, and has undergone intelligent upgrades.

In terms of intelligent research and development, Inspur Information has built a digital R&D system with product lifecycle management (PLM) and global cooperation platform (GCP) as the core, making R&D management and collaboration highly automated. In order to keep up with customer business innovation, the Company also introduced digital prototypes. The digitalization of R&D model has improved the R&D efficiency and agility of Inspur Information, reducing the average cycle of new product development from 1.5 years to 8 months, shortening by 50%. The fastest time from customer demand to prototype delivery is only 3 months. In 2023, the intelligent research and development of Inspur Information won the "Ding Ge Award" of *Harvard Business Review*.

In terms of intelligent supply chain, Inspur Information combines the exploration of JDM business model with supply chain innovation to create a digital and intelligent supply chain management system, which connects suppliers upwards and major customers downwards, gathering data from the entire supply chain ecosystem. Moreover, it also constructs an intelligent supply chain planning brain engine, which can complete procurement planning, production planning, and material transportation planning in only 8 h, 6 h, and 3 h, respectively. With customized business accounting for more than 95%, the order delivery cycle has been shortened from 15 days to 5-7 days, creating the industry's highest speed of delivering 10,000 cloud servers in 8 h.

In terms of intelligent manufacturing, Inspur Information integrates technologies such as cloud computing, intelligent edge, 5G, and the IoT with server manufacturing, solving the problems of order switching and quality control in customized and personalized production through intelligent manufacturing. In addition, it also builds cloud factories, which control 14 factories worldwide to ensure unified standards, processes, and quality. Inspur Information's High-end Server Intelligent Manufacturing Demonstration Factory has been selected for the *2023 Intelligent Manufacturing Demonstration Factory List* by the Ministry of Industry and Information Technology.

In terms of intelligent customer service, Inspur Information has introduced technologies such as cloud, data, intelligence, and edge, etc., transforming the traditional manual and passive response service model into an active, online, and intelligent new service model. The InService customer service platform integrates intelligent diagnosis, fault prediction, and other advanced functions, achieving "fault prevention" and "fast handling". The customer service robot Yuanxiaofu developed based on the "Source" big model has a solution rate of over 80% for common problems, with an average solution time reduction of 65%.

IV. Analysis of Main Businesses**1. Overview**

During the reporting period, the Company achieved a total operating income of RMB 65.867 billion, with a decrease of 5.41% compared to the previous year; operating cost of RMB 59.254 billion, with a decrease of 4.21% compared to the previous year; sales expenses of RMB 1.455 billion, with a decrease of 3.62% compared to the previous year; management expenses of RMB 765 million, with an increase of 4.46% compared to the previous year; R&D expenses of RMB 3.071 billion, with a decrease of 3.95% compared to the previous year; financial expenses of RMB -203 million, with a decrease of 343.42% compared to the previous year, mainly due to the decrease in interest expenditure in the current period; net profit attributable to the owners of the parent company of RMB 1.783 billion, with a decrease of 14.54% compared to the previous year; net cash flow generated from operating activities of RMB 520 million, with a decrease of 71.30% compared to the previous year, mainly due to the increase in operating reserves and procurement payments in the current period.

2. Revenue and cost

(1) Composition of operating income

Unit: RMB

Item	2023		2022		Year-on-year increase or decrease
	Amount	Proportion of operating income	Amount	Proportion of operating income	
Total operating incomes	65,866,587,556.65	100%	69,635,317,095.23	100%	-5.41%
By industry					
Electronics industry	65,866,587,556.65	100.00%	69,635,317,095.23	100.00%	-5.41%
By product					
Servers and components	65,239,594,371.29	99.04%	69,057,910,998.42	99.18%	-5.53%
IT terminals and bulk items	392,613,244.71	0.60%	302,537,870.58	0.43%	29.77%
Others	234,379,940.65	0.36%	274,868,226.23	0.39%	-14.73%
By region					
China	56,319,484,691.69	85.51%	60,470,761,119.11	86.84%	-6.87%
Overseas	9,547,102,864.96	14.49%	9,164,555,976.12	13.16%	4.17%
By sales model					
Region	16,260,207,119.30	24.69%	14,670,261,934.94	21.07%	10.84%
Industry	49,606,380,437.35	75.31%	54,965,055,160.29	78.93%	-9.75%

(2) Industries, products, regions and sales models that account for more than 10% of the Company's operating income or profit

 Applicable Not applicable

Unit: RMB

Item	Operating income	Operating cost	Gross margin	Increase/decrease of operating income over the same period of the previous year	Increase/decrease of operating cost over the same period of the previous year	Increase/decrease of gross margin over the same period of the previous year
By industry						
Electronics industry	65,632,207,616.00	59,138,863,936.32	9.89%	-5.38%	-4.15%	-1.15%
By product						
Servers and components	65,239,594,371.29	58,751,583,476.25	9.94%	-5.53%	-4.35%	-1.11%
IT terminals and bulk items	392,613,244.71	387,280,460.07	1.36%	29.77%	40.49%	-7.52%
By region						
China	56,085,104,751.04	50,346,659,806.09	10.23%	-6.83%	-5.41%	-1.35%
Overseas	9,547,102,864.96	8,792,204,130.23	7.91%	4.17%	3.77%	0.36%
By sales model						
Region	16,025,827,178.66	13,359,499,516.74	16.64%	11.33%	17.05%	-3.46%
Industry	49,606,380,437.34	45,779,364,419.58	7.71%	-9.75%	-8.96%	-0.98%

In case of changes in the statistical caliber of main business data in the reporting period, the Company will refer to the main business data after adjustment in recent 1 year

 Applicable Not applicable

(3) Whether the physical sales revenue of the Company is more than that of service revenue

Yes No

Industry category	Item	Unit	2023	2022	Year-on-year increase or decrease
Electronics industry	Sales volume		1,255,824.00	1,579,170.00	-20.48%
	Production capacity		1,282,283.00	1,556,333.00	-17.61%
	Inventory		79,780.00	53,321.00	49.62%

Description for reasons of relevant year-on-year data changing over 30%

Applicable Not applicable

(4) Performance of major sales contract and major purchase contract which has been signed by the Company until the reporting period

Applicable Not applicable

(5) Operating cost composition

Industry and product category

Unit: RMB

Industry category	Item	2023		2022		Year-on-year increase or decrease
		Amount	Proportion of operating cost	Amount	Proportion of operating cost	
Electronics industry		59,254,293,068.26	100.00%	61,860,648,024.37	100.00%	-4.21%

Unit: RMB

Product category	Item	2023		2022		Year-on-year increase or decrease
		Amount	Proportion of operating cost	Amount	Proportion of operating cost	
Servers and components		58,751,583,476.25	99.15%	61,424,174,973.62	99.29%	-4.35%
IT terminals and bulk items		387,280,460.07	0.65%	275,673,676.73	0.45%	40.49%
Other businesses		115,429,131.94	0.19%	160,799,374.02	0.26%	-28.22%

Description

N/A

(6) Changes in the consolidation scope during the reporting period changes

Yes No

During the reporting period, the Company established two new domestic subsidiaries and four overseas subsidiaries, merged two companies under the same control, liquidated and cancelled three subsidiaries, and disposed of one subsidiary, resulting in a change in the consolidation scope. Refer to IX. Changes in the Consolidation Scope in Section X for details.

(7) Significant change or adjustment about the Company's business, product or service during the reporting period

Applicable Not applicable

(8) Main sales customers and main suppliers

Company's main sales customers

Proportion of total sales of top five customers in total annual sales	56.15%
Proportion of the related party's sales amount to the total sales amount among the sales of the top five suppliers	0.00%

Information of top 5 customers of the Company

S/N	Customer name	Sales (RMB)	Proportion of total sales amount of the year
1	Customer 1	14,693,796,689.70	22.31%
2	Customer 2	12,090,318,083.55	18.36%
3	Customer 3	5,528,932,706.43	8.39%
4	Customer 4	2,799,675,052.52	4.25%
5	Customer 5	1,870,626,061.68	2.84%
Total	—	36,983,348,593.88	56.15%

Description on other situations of main customers

 Applicable Not applicable

Company's main suppliers

Total purchase amount of top five suppliers (RMB)	45,331,955,298.55
Proportion about total purchase amount of top five suppliers accounting for total purchase amount of the year	71.53%
Proportion of the related party's purchase amount to the total purchase amount among the procurement of the top five suppliers	0.00%

Information of top five suppliers of the Company

S/N	Supplier name	Purchase amount (RMB)	Proportion of total purchase amount of the year
1	Supplier 1	16,193,575,816.90	25.55%
2	Supplier 2	10,471,207,586.69	16.52%
3	Supplier 3	9,925,849,158.13	15.66%
4	Supplier 4	7,063,950,580.56	11.15%
5	Supplier 5	1,677,372,156.27	2.65%
Total	—	45,331,955,298.55	71.53%

Description on other situations of main suppliers

 Applicable Not applicable

3. Expense

Unit: RMB

Item	2023	2022	Year-on-year increase or decrease	Description on significant changes
Sales expenses	1,454,947,507.06	1,509,627,729.66	-3.62%	
Management expenses	765,353,619.35	732,670,826.17	4.46%	
Financial expenses	-202,647,157.47	83,250,234.22	-343.42%	Mainly due to the decrease in the interest expenditure in the current period
R&D expenses	3,071,020,483.24	3,197,415,424.34	-3.95%	

4. R&D investment Applicable Not applicable

Company's R&D personnel

Item	2023	2022	Variable proportion
Number of R&D personnel (person)	3,170	3,153	0.54%
Proportion of R&D personnel	43.95%	42.07%	1.88%
Educational background structure of R&D personnel			
Undergraduate	1,794	1,878	-4.47%
Master	1,204	1,109	8.57%
Doctor	141	139	1.44%
Composition of R&D personnel by age			
Less than 30 years old	725	914	-20.68%
30-40 years old	1,874	1,930	-2.90%

Company's R&D investment

Item	2023	2022	Variable proportion
R&D investment amount (RMB)	3,140,001,995.45	3,672,943,973.94	-14.51%
Proportion of R&D investment in operating income	4.77%	5.27%	-0.50%
Amount of capitalized R&D investment (RMB)	104,920,523.25	0.00	100.00%
Proportion of capitalized R&D investment in R&D investment	3.34%	0.00%	3.34%

Reasons for major changes in the composition of the Company's R&D personnel and its effects

 Applicable Not applicable

Reasons for major changes of proportion of total R&D investment amount in operating income compared with last year

 Applicable Not applicable

Reasons for significant changes in R&D investment and its reasonable description

 Applicable Not applicable

5. Cash flow

Unit: RMB

Item	2023	2022	Year-on-year increase or decrease
Subtotal of cash inflow from operating activities	83,294,585,106.58	80,131,979,190.73	3.95%
Subtotal of cash outflow from operating activities	82,774,201,718.12	78,318,628,699.99	5.69%
Net cash flow generated from operating activities	520,383,388.46	1,813,350,490.74	-71.30%
Subtotal of cash inflow from investing activities	171,470,690.79	2,626,056,194.59	-93.47%
Subtotal of cash outflow from investing activities	756,849,778.84	3,357,656,082.79	-77.46%
Net cash flow generated from investing activities	-585,379,088.05	-731,599,888.20	19.99%
Subtotal of cash inflow from financing activities	17,139,227,745.30	23,335,370,593.01	-26.55%
Subtotal of cash outflow from financing activities	14,199,066,918.53	22,806,666,798.15	-37.74%
Net cash flow generated from financing activities	2,940,160,826.77	528,703,794.86	456.11%
Net increase in cash and cash equivalents	2,909,570,650.02	1,742,173,970.82	67.01%

Description on main influencing factors for significant year-on-year changes in relevant data

Applicable Not applicable

1. The net cash flow generated from operating activities was RMB 520 million, with a year-on-year decrease of 71.30%, mainly due to the increase in operating reserves and procurement payments in the current period.
2. The net cash flow generated from investing activities was -585 million, with a year on year increase of 19.99%, mainly due to the decrease of fixed asset investment and the disposal of subsidiaries.
3. The cash flow generated from financing activities was RMB 2.94 billion, with a year-on-year increase of 456.11%, mainly due to an increase in net financing caused by the funding needs.

Description on reasons for significant difference between cash flow and net profit in the current year of the Company caused by operating activities within the reporting period

Applicable Not applicable

V. Analysis of Non Main Businesses

Applicable Not applicable

VI. Analysis of Assets and Liabilities

1. Significant changes in assets composition

Unit: RMB

Item	End of 2023		Beginning of 2023		Increase/decrease in proportion	Description on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary capital	12,012,862,567.06	24.96%	9,037,340,782.97	21.96%	3.00%	
Accounts receivable	9,110,557,328.16	18.93%	11,099,729,974.76	26.97%	-8.04%	
Inventory	19,114,569,324.91	39.72%	15,024,922,771.00	36.51%	3.21%	
Investment property	85,826,151.39	0.18%	89,127,311.79	0.22%	-0.04%	
Long-term equity investment	412,326,773.86	0.86%	360,126,122.18	0.87%	-0.01%	
Fixed assets	2,044,929,753.35	4.25%	1,226,158,546.75	2.98%	1.27%	
Construction in progress	152,416,723.54	0.32%	841,195,769.28	2.04%	-1.72%	
Right-of-use assets	53,835,030.79	0.11%	80,580,900.20	0.20%	-0.09%	
Short-term borrowings	2,051,618,888.91	4.26%	4,954,374,375.02	12.04%	-7.78%	
Contract liabilities	1,912,610,446.33	3.97%	1,708,510,086.16	4.15%	-0.18%	
Long-term borrowings	8,126,207,218.93	16.89%	4,221,529,691.11	10.26%	6.63%	
Lease liabilities	24,949,313.08	0.05%	56,364,540.35	0.14%	-0.09%	

Higher proportion of overseas assets

 Applicable Not applicable

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Gain or loss from changes in fair value in the current period	Changes in the cumulative fair value included in equity	Impairment accrued in the current period	Purchase amount of the current period	Sales amount of the current period	Other changes	Closing balance
Financial assets								
1. Trading financial assets (excluding derivative financial assets)	32,761,494.45							52,289,501.70
Notes receivable measured at fair value with changes included in other comprehensive incomes	572,890,885.59							98,806,159.37
Accounts receivable measured at fair value with changes included in other comprehensive incomes	2,373,621,26							
Total of the above	608,026,001.30							151,095,661.07
Financial liabilities	0.00							8,958,527.77

Contents of other changes

Significant changes in major asset measurement attributes of the Company in reporting period

Yes No

3. Restriction of asset right by the end of the reporting period

Item	Ending book value	Reasons for restriction
Monetary capital	79,384,594.05	Margin deposit
Fixed assets	179,585,165.63	Mortgage of US land and factory buildings for borrowings
Total	258,969,759.68	

VII. Investment Situation Analysis**1. General condition**

Applicable Not applicable

Investment amount during the reporting period (RMB)	Investment amount in the same period of last year (RMB)	Amount of variation
412,326,773.86	360,126,122.18	14.50%

2. Significant equity investment obtained within the reporting period

Applicable Not applicable

3. On-going significant non-equity investment within the reporting period

Applicable Not applicable

4. Investments in financial assets

(1) Securities investment

Applicable Not applicable

The Company involves no securities investment in the reporting period.

(2) Derivative investment

Applicable Not applicable

1) Derivative investment for hedging during the reporting period

Applicable Not applicable

Unit: RMB 0,000

Derivative investment type	Initial investment amount	Beginning amount	Gain or loss from changes in fair value in the current period	Changes in the cumulative fair value included in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Ending amount	Proportion of investment amount at the end of the period in Company's net assets at the end of the reporting period
Foreign exchange forwards	0	0	-895.85	0	1,237,029.36	1,138,968.46	98,060.9	5.46%
Interest rate swap contract	6,136.89	6,457.9	-44.12	0	0	0	6,312.24	0.35%
Total	6,136.89	6,457.9	-939.97	0	1,237,029.36	1,138,968.46	104,373.14	5.81%
Accounting policies and specific accounting principles for hedging business during the reporting period, as well as description on significant changes compared to the previous reporting period	The accounting policies and accounting principles of the Company's derivatives during the reporting period have not undergone significant changes compared to the previous reporting period.							
Description on actual profit and loss during the reporting period	The actual profit and loss of exchange forward contracts during the reporting period was RMB -10.8547 million, and the actual profit and loss of interest rate swap contracts was RMB 2.6303 million							
Description on hedging effects	N/A							

Source of derivative investment funds	Self-owned funds
Risk analysis for derivative holding a position during the reporting period and description on control measures (including but not limited to market risks, liquidity risks, credit risks, operation risks and legal risks)	For specific risk analysis and control measures, refer to the <i>Announcement on the Company's Proposed Financial Derivatives Trading Business</i> disclosed by the Company on April 12, 2023 For specific risk analysis and control measures, refer to the <i>Feasibility Analysis Report on Conducting Financial Derivatives Trading Business</i> disclosed by the Company on April 12, 2023
Changes in market price or fair value of invested derivatives during the reporting period, analysis of fair value of derivatives, as well as specific use method and related assumption and parameter settings	The fair value of invested derivatives at the end of the reporting period is determined based on market quotes from external financial institutions.
Litigation-related situation (if applicable)	N/A
Announcement disclosure date of the Board of Directors for approval of derivatives investment (if any)	April 12, 2023
Announcement disclosure date of the Shareholders' Meeting for approval of derivatives investment (if any)	May 13, 2023
Special opinion on situations of Company's derivative investment and risk control from independent directors	1. The Company's financial derivative trading business aimed at risk prevention is conducive to avoiding the risks of exchange rate and interest rate fluctuations, which is in line with the needs of the Company's business development. 2. The Company has formulated the <i>Management System for Foreign Exchange Derivatives Trading Business</i> , strengthened the risk management and control of derivatives trading, and fulfilled corresponding decision-making procedures and information disclosure obligations for related businesses. There is no situation that harms the interests of the Company and all shareholders, especially minority shareholders.

2) Derivative investment for speculation during the reporting period

Applicable Not applicable

During the reporting period, the Company does not have derivative investment for speculation.

5. Use of the raised funds

Applicable Not applicable

The Company does not use the raised funds during the reporting period.

VIII. Sale of Significant Assets and Equity

1. Sale of significant assets

Applicable Not applicable

The Company does not sell significant assets in the reporting period.

2. Sale of significant equity

Applicable Not applicable

Counterparty	Share capital sold	Sales date	Transaction price (RMB 0,000)	Net profit contributed to the listed company from the beginning of the period to the sales date (RMB 0,000)	Influence of sales on the Company	Equity sale is the ratio of net profits of the listed company accounting for the total net profits	Pricing principle for equity sale	Related transaction or not	Associated relation with the counterparty	Whether all equities concerned have been transferred	Whether to be implemented as planned, if not, the reason and measures taken by the Company shall be explained	Disclosure date	Disclosure index
Shandong Inspur Integrated Electronic Technology Co., Ltd.	65% equity of Inspur Computer Technology Co., Ltd.	June 15, 2023	6,565	2,802.19	RMB 12.9668 million	0.73%	Market pricing	Yes	Brother Company	Yes	Yes		
Stock exchange market	3% equity of TUNG KONG INC.	November 17, 2023	14,272.9	481.63	RMB 108,737,200	6.10%	Market pricing	No	N/A	Yes	Yes		

IX. Analysis of Main Controlling and Shareholding Companies

Applicable Not applicable

Main subsidiaries and shareholding companies which can exert 10% or above net profit influence on the Company

Unit: RMB

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Inspur (Beijing) Electronic Information Industry Co., Ltd.	Subsidiary	Sales of computer software, hardware and auxiliary equipment	RMB 52.5 million	1,720,792,271.61	576,247,751.00	6,590,151,726.72	230,404,061.96	220,551,909.9
Jinan Oriental Joint Technology Development Co., Ltd.	Subsidiary	Development, production and sales of computer software, hardware and auxiliary equipment	RMB 490 million	13,453,478,113.70	546,891,788.91	26,392,012,353.25	204,848,236.67	151,476,384.43
Suzhou Yuannao Intelligent Technology Co., Ltd.	Subsidiary	R&D, production, and sales of computer software, hardware, and electronic components	RMB 385 million	1,825,776,276.13	634,710,901.40	5,465,616,255.35	99,347,334.98	101,679,853.87
Shandong Yingxin Computer Technology Co., Ltd.	Subsidiary	Technology development, production, and sales of computer software and hardware; foreign investments with its proprietary capital	RMB 65 million	257,934,639.38	223,279,436.70	183,008,985.17	94,285,634.53	94,257,904.43
Zhengzhou Yunhai Information Technology Co., Ltd.	Subsidiary	Technology development and sales of computer software and hardware	RMB 25 million	975,694,077.35	961,837,714.91	149,734,512.92	77,679,057.28	74,165,762.37
Inspur (Zhengzhou) Computer Technology Co., Ltd.	Subsidiary	Development, production and sales of computer software, hardware and auxiliary equipment	RMB 50 million	736,009,697.32	14,368,285.94	1,464,144,471.63	38,295,732.84	44,317,106.63

Acquisition and disposal of subsidiaries within the reporting period

Applicable Not applicable

Company name	Acquisition and disposal method of subsidiaries within the reporting period	Influence on overall production, operation and performance
Inspur Computer Technology Co., Ltd.	Transfer	No significant influence
Inspur (Qingdao) Electronic Information Industry Co., Ltd.	Deregistration	No significant influence
Shanxi Inspur Electronic Information Industry Co., Ltd.	Deregistration	No significant influence
Zhijiang Inspur (Quzhou) Computer Technology Co., Ltd.	Deregistration	No significant influence
Inspur Information (South Korea) Co., Ltd.	Newly-established	No significant influence
Beijing Jisuan Technology Co., Ltd.	Newly-established	No significant influence
Inspur Information (Turkey) Co., Ltd.	Newly-established	No significant influence
Inspur Japan	Newly-established	No significant influence
Inspur Information (Indonesia) Co., Ltd.	Newly-established	No significant influence
Suzhou Yingji Electronic Technology Co., Ltd.	Newly-established	No significant influence
Huizhong IOT Hong Kong Technology Limited and its subsidiaries	Business combination under the same control	No significant influence

Main controlling and shareholding companies

X. Structured Entities under the Control of the Company

Applicable Not applicable

XI. Outlook for the Future Development of the Company

(I) Company's future development strategy and business plan

The good development achievements achieved by Inspur Information are attributed to the Company's forward-looking judgment on the computing industry, active implementation of intelligent computing strategy, as well as continuous innovation in the field of intelligent computing based on products, technology, and ecology.

In 2024, the Company will continue to face opportunities for rapid development in digitalization and intelligence: on January 4, 2024, seventeen departments including the National Data Bureau jointly issued *China to Boost Data-driven Growth with 3-year Plan*, aiming to leverage the amplification, superposition, and doubling effects of data elements and build a digital economy with data as the key element; moreover, the generative AI has opened the door to cognitive intelligence for humanity, leading a new round of global technological revolution and industrial transformation. Since 2024, the trend of AI has shifted from text-to-text and text-to-graphics to text-to-video. The development of AI has shifted from perceptual intelligence to generative intelligence, and the demand for AI computing will be greatly increased.

Both the value of data elements and the rapid development of AI cannot be achieved without intelligent and efficient computing infrastructure. According to the *2023-2024 China Artificial Intelligence Computing Power Development Evaluation Report*, from 2022 to 2027, the compound annual growth rate of China's intelligent computing power scale will reach 33.9%. Inspur Information will continue to implement the "intelligent computing" strategy, adhere to the principle of open source, improve and strengthen product technology layout, and develop intelligent computing, laying a solid computing foundation to accelerate the construction of digital China and the development of AI industry.

(II) Main risks that the Company's business development may face and corresponding measures

1. Market risks brought about by macroeconomic fluctuations: the operational development of the server industry is closely related to the overall macroeconomic development of the country, and the Company's product sales, operating performance, financial status, and development prospects are closely related to the macroeconomic situation. The sustained slowdown of global economic growth in the future or short-term severe macroeconomic fluctuations in China may affect downstream demand in the server industry, leading to a slowdown in demand growth in the server market and posing a risk of declining business performance, which will have a certain adverse impact on the Company's business development. In this regard, the Company will adhere to a long-term overall development strategy centered on intelligent computing, break through core technologies through independent R&D and innovation, better understand customer applications, and capture the latest changes in applications, leading the industry and seizing new growth opportunities in the market.

2. Market competition risks: the server industry in which the Company operates belongs to a combination of knowledge intensive and capital intensive industries, with high entry barriers. Only a few manufacturers worldwide have mastered relevant technologies and formed production scales, resulting in high market concentration. At present, the Company's server business mainly faces market competition from well-known enterprises at home and abroad. In this regard, the Company will continue to increase R&D investment, introduce and cultivate core technology leaders, strengthen the construction of R&D teams, create "diamond" products, and improve product efficiency; additionally, the Company will also increase its marketing and brand promotion efforts, strengthen market channel development, enhance its own strength, and consolidate its market position.

3. Exchange rate fluctuation risks: in view of the business model characteristics of the server industry in which the company operates, the Company purchases some raw materials through import trade, and exports and sells some products, so during the reporting period, the Company had significant import and export trade. As a result, the significant exchange rate fluctuations will have a direct impact on the Company's import and export business. Based on the real trading background, the Company adopts various effective hedging measures to prevent exchange rate fluctuation risks.

4. Increased labor cost risks: the R&D, production, sales, and after-sales services of the Company's main products are labor-intensive businesses. With the continuous development of China's national economy, the overall income level of Chinese employees is constantly improving, and the average annual wage level is showing a continuous upward trend. In this regard, the Company is committed to enhancing product profitability and strengthening cost control to reduce the adverse impact of increased labor costs on the overall profitability of the Company.

5. Innovation risks due to technological updating: under the trend of further accelerated development of information technology, the server industry in which the company operates has high requirements for product R&D speed, supply efficiency, and service response speed of supporting technologies. In the future, if the Company cannot achieve breakthroughs in technological research and development or timely update its technology, develop new products with independent intellectual property rights, or technological research and development cannot better meet market demand, the Company's competitive advantage may weaken, leading to the risk of customer churn. In this regard, the Company will increase investment in product R&D and technological innovation to achieve technological updating of products, better adapting to market changes, and winning market opportunities.

6. Management risks: in recent years, with the continuous expansion of the Company's business scale and the gradual increase in the number of subsidiaries, higher requirements have been put forward for the Company's business management, financial planning, internal control, and human resource allocation. In this regard, the Company will optimize its internal governance structure and organizational structure, and improve its internal control system to ensure its sustained, stable, and rapid development.

7. Supply chain risks: at present, some raw materials in the domestic server industry still need to be imported. Although the supply is relatively stable, in the context of intensified international trade frictions and increasingly complex geopolitics, Chinese server manufacturers will face the risk of supplying some raw materials. The main raw materials for the Company's servers include CPUs, hard disks, memory, etc. Affected by the long-term supply chain ecological environment formed by the industry, the concentration of suppliers for the main raw materials required for server production is relatively high, so significant changes in the main raw material manufacturers will have a certain impact on the company's operations.

XII. Receipt of Research, Communication, Interviews and Other Activities during the Reporting Period

Applicable Not applicable

Reception time	Reception place	Reception mode	Reception object type	Reception object	Main contents talked about and materials provided	Index of basic situation of research
February 22, 2023	Conference room of the Company	Field research	Institution	16 institutional investors in total	Refer to the Investor Relations Activity Record Form (No. 2023-001) for details	Cninf (http://www.cninfo.com.cn)
February 24, 2023	Conference room of the Company	Field research	Institution	2 institutional investors in total	Refer to the Investor Relations Activity Record Form (No. 2023-001) for details	Cninf (http://www.cninfo.com.cn)
March 1, 2023	Conference room of the Company	Telephone communication	Institution	36 institutional investors in total	Refer to the Investor Relations Activity Record Form (No. 2023-001) for details	Cninf (http://www.cninfo.com.cn)
May 18, 2023	"Investor Relations Interactive Platform" (www.quanjing.com .)	Online communication on network platforms	Others	Investors participating in this online performance explanation session through online means	Refer to the Investor Relations Activity Record Form (No. 2023-002) for details	Cninf (http://www.cninfo.com.cn)

XIII. Implementation of the Action Plan for "Double Improvement of Quality and Return"

Whether the Company has disclosed an action plan for "double improvement of quality and return" or not.

Yes No

A. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of Brainhole Technology Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) (the “**Unaudited Pro Forma Financial Information**”) prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants and on the basis of the notes set out below, to illustrate the financial position of the Group as if the disposal and acquisition of listed securities (the “**Major Transaction**”) had been completed on 31 December 2023.

This Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Group had the Major Transaction been completed on 31 December 2023. The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

Unaudited pro forma statement of assets and liabilities of the Group

	Audited	Pro forma	Pro forma	Unaudited
	31 December	adjustment	adjustment	Pro forma
	2023	(1)	(2)	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	
Non-current assets				
Plant and equipment	37,887			37,887
Right-of-use assets	4,910			4,910
Intangible assets	880			880
Deferred tax assets	20,182			20,182
Prepayment for plant and equipment	29			29
	<u>63,888</u>			<u>63,888</u>
Current assets				
Inventories	29,000			29,000
Trade and other receivables	65,814			65,814
Contract assets	2,202			2,202
Amounts due from related companies	6,543			6,543
Financial assets at fair value through profit or loss	69,276	14,173	(9,127)	74,322
Bank balances and cash	42,473	(14,202)	9,104	37,375
	<u>215,308</u>			<u>215,256</u>

	Audited 31 December 2023 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustment (1) <i>HK\$'000</i> <i>(Note 2)</i>	Pro forma adjustment (2) <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited Pro forma 31 December 2023 <i>HK\$'000</i>
Current liabilities				
Trade and other payables	71,095			71,095
Lease liabilities	2,744			2,744
Deferred income	392			392
Loans from related companies	49,930			49,930
Income tax payables	34			34
	<u>124,195</u>			<u>124,195</u>
Net current assets	<u>91,113</u>			<u>91,061</u>
Total assets less current liabilities				
	<u>155,001</u>			<u>154,949</u>
Non-current liabilities				
Lease liabilities	2,760			2,760
Deferred tax liability	435			435
Deferred income	1,695			1,695
Loan from ultimate controlling party	83,349			83,349
	<u>88,239</u>			<u>88,239</u>
	<u>66,762</u>			<u>66,710</u>
Capital and reserves				
Share capital	8,000			8,000
Reserves	58,762	(29)	(23)	58,710
	<u>66,762</u>			<u>66,710</u>

Notes to the unaudited pro forma statement of assets and liabilities of the Group:

- (1) The consolidated statement of financial position of the Company as at 31 December 2023 has been extracted from the annual report of the Company dated 27 March 2024.
- (2) The Group acquired IEIT SYSTEMS Co., Ltd. (Shenzhen Stock Exchange stock code: 000977.SZ) shares (“**Inspur Shares**”) through the open market with details below. Total consideration of Inspur Shares was HK\$14,202,000, being assumed to the fair value of Inspur Shares as at 31 December 2023.

Trade date	Number of shares acquired	Average purchase price per share <i>RMB</i>	Average purchase price per share <i>HK\$</i>	Consideration		Total consideration <i>HK\$'000</i>
				(excluding stamp duty and related expenses) <i>HK\$'000</i>	Stamp duty and related expenses <i>HK\$'000</i>	
7 March 2024	305,000	42.18	46.47	14,173	29	14,202
				14,173	29	14,202

- (3) The Group disposed Inspur shares through the open market with details below. Total consideration of Inspur Shares was HK\$9,104,000, being assumed to the fair value of Inspur Shares as at 31 December 2023.

Trade date	Number of shares disposed	Average selling price per share <i>RMB</i>	Average selling price per share <i>HK\$</i>	Consideration		Total consideration <i>HK\$'000</i>
				(excluding stamp duty and related expenses) <i>HK\$'000</i>	Stamp duty and related expenses <i>HK\$'000</i>	
21 March 2024	201,000	41.19	45.41	9,127	23	9,104
				9,127	23	9,104

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from CWK CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of Company, in respect of the unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



The Directors
Suites 1801-03
18/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Brainhole Technology Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Group as at 31 December 2023, and related notes as set out on pages IV-1 to IV-4 of Appendix IV of the circular dated 24 May 2024 (the “**Circular**”) (the “**Unaudited Pro Forma Financial Information**”) issued by the Company in connection with the acquisition and disposal of listed securities (the “**Major Transaction**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on IV-1 to IV-4 of Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Major Transaction on the Group's financial position as at 31 December 2023 as if the transaction had taken place at 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2023, on which an audited annual report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies Hong Kong Standard on Quality Management 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of Major Transaction on unadjusted financial information of the

Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

CWK CPA Limited

Certified Public Accountants

Hong Kong,

24 May 2024

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares of the Company

As at the Latest Practicable Date, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange.

Long positions in the shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of interest in the Company as at Latest Practicable Date
Mr. Zhang Liang Johnson	Interest of controlled Corporation (<i>Note</i>)	599,658,000 Shares (L)	74.96%

(L) denotes long position

Note: Mr. Zhang Liang Johnson, an executive Director, was interested in 599,658,000 Shares, representing approximately 74.96% of the Company's issued share capital, through Yoho Bravo Limited which is wholly-owned by him.

(b) Substantial Shareholders' interests and short positions

Name of Shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of interest in our Company as at the Latest Practicable Date
Yoho Bravo Limited (Note)	Beneficial owner	599,658,000 (L)	74.96%

(L) denotes long position

Note: Mr. Zhang Liang Johnson, an executive Director, was interested in 599,658,000 Shares, representing approximately 74.96% of the Company's issued share capital, through Yoho Bravo Limited which is wholly-owned by him.

Save as disclosed herein, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered, or proposed to enter, into any service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

5. MATERIAL CONTRACTS

The Group has entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date which is or may be material:

- (a) on 31 July 2023 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 131,400 American depository shares of XPeng Inc. through the open market at the aggregate consideration of approximately US\$2.6 million (equivalent to approximately HK\$20.6 million) (for which no written contract was entered into between the parties thereto);
- (b) on 20 December 2023 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 17,650 Class A common stocks of Affirm Holdings, Inc. through the open market at the aggregate consideration of approximately US\$0.9 million (equivalent to approximately HK\$7.0 million) (for which no written contract was entered into between the parties thereto);
- (c) on 24 January 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 1,910 common stocks of NVIDIA Corporation through the open market at the aggregate consideration of approximately US\$1.1 million (equivalent to approximately HK\$8.9 million) (for which no written contract was entered into between the parties thereto);
- (d) on 30 January 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 1,960 common stocks of Super Micro Computer, Inc. through the open market at the aggregate consideration of approximately US\$1.0 million (equivalent to approximately HK\$8.0 million) (for which no written contract was entered into between the parties thereto);

- (e) on 30 January 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 1,430 common stocks of NVIDIA Corporation through the open market at the aggregate consideration of approximately US\$0.9 million (equivalent to approximately HK\$7.0 million) (for which no written contract was entered into between the parties thereto);
- (f) on 6 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 3,220 class A common stocks of Coinbase Global, Inc. through the open market at the aggregate consideration of approximately US\$0.4 million (equivalent to approximately HK\$3.0 million) (for which no written contract was entered into between the parties thereto);
- (g) on 15 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 3,740 class A common stocks of Coinbase Global, Inc. through the open market at the aggregate consideration of approximately US\$0.6 million (equivalent to approximately HK\$5.0 million) (for which no written contract was entered into between the parties thereto);
- (h) on 15 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 880 NVIDIA Shares through the open market at the aggregate consideration of approximately US\$0.6 million (equivalent to approximately HK\$5.0 million) (for which no written contract was entered into between the parties thereto);
- (i) on 16 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 2,650 NVIDIA Shares through the open market at the aggregate consideration of approximately US\$1.9 million (equivalent to approximately HK\$15.0 million) (for which no written contract was entered into between the parties thereto);
- (j) on 16 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 3,470 class A common stocks of Coinbase Global, Inc. through the open market at the aggregate consideration of approximately US\$0.6 million (equivalent to approximately HK\$5.0 million) (for which no written contract was entered into between the parties thereto);

- (k) on 16 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 1,020 common stocks of Super Micro Computer, Inc. through the open market at the aggregate consideration of approximately US\$1.0 million (equivalent to approximately HK\$7.0 million) (for which no written contract was entered into between the parties thereto);
- (l) on 20 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the disposal of 16,370 class A common stocks of Coinbase Global, Inc. through the open market at the aggregate consideration of approximately US\$2.9 million (equivalent to approximately HK\$22.3 million) (for which no written contract was entered into between the parties thereto);
- (m) on 20 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the acquisition of 213,000 domestic shares of Seres Group Co., Ltd. through the open market at the aggregate consideration of approximately RMB15.5 million (equivalent to approximately HK\$17.1 million) (for which no written contract was entered into between the parties thereto);
- (n) on 21 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 51,500 domestic shares of Seres Group Co., Ltd. through the open market at the aggregate consideration of approximately RMB3.7 million (equivalent to approximately HK\$4.0 million) (for which no written contract was entered into between the parties thereto);
- (o) on 22 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 1,920 Super Micro Shares through the open market at the aggregate consideration of approximately US\$1.7 million (equivalent to approximately HK\$12.9 million) (for which no written contract was entered into between the parties thereto);
- (p) on 27 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 33,350 class A common stocks of Affirm Holdings, Inc. through the open market at the aggregate consideration of approximately US\$1.3 million (equivalent to approximately HK\$9.9 million) (for which no written contract was entered into between the parties thereto);

- (q) on 28 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 93,800 domestic shares of Seres Group Co., Ltd. through the open market at the aggregate consideration of approximately RMB8.3 million (equivalent to approximately HK\$9.1 million) (for which no written contract was entered into between the parties thereto);
- (r) on 1 March 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 101,200 domestic shares of Seres Group Co., Ltd. through the open market at the aggregate consideration of approximately RMB9.2 million (equivalent to approximately HK\$10.1 million) (for which no written contract was entered into between the parties thereto);
- (s) on 29 February 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 1,490 Super Micro Shares through the open market at the aggregate consideration of approximately US\$1.3 million (equivalent to approximately HK\$9.9 million) (for which no written contract was entered into between the parties thereto);
- (t) on 6 March 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 780 Super Micro Shares through the open market at the aggregate consideration of approximately US\$0.9 million (equivalent to approximately HK\$6.9 million) (for which no written contract was entered into between the parties thereto);
- (u) on 7 March 2024, the Company executed a trade order with BOCI Securities Limited relating to the Acquisition of Inspur Shares through the open market at the aggregate consideration of approximately RMB12.9 million (equivalent to approximately HK\$14.2 million) (for which no written contract was entered into between the parties thereto);
- (v) on 21 March 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the acquisition of 23,200 common stocks of Micron Technology, Inc. through the open market at the aggregate consideration of approximately US\$2.6 million (equivalent to approximately HK\$19.8 million) (for which no written contract was entered into between the parties thereto);
- (w) on 21 March 2024 (after trading hours of the Stock Exchange), the Company executed a trade order with BOCI Securities Limited relating to the disposal of 181,000 domestic shares of Seres Group Co., Ltd. through the open market at the aggregate consideration of approximately RMB18.4 million (equivalent to approximately HK\$20.3 million) (for which no written contract was entered into between the parties thereto);

- (x) on 22 March 2024, the Company executed a trade order with BOCI Securities Limited relating to the acquisition of 650,000 ordinary shares of Pop Mart International Group Limited through the open market at the aggregate consideration of approximately HK\$18.0 million (for which no written contract was entered into between the parties thereto);
- (y) on 22 March 2024, the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 94,000 domestic shares of Seres Group Co., Ltd. through the open market at the aggregate consideration of approximately RMB9.2 million (equivalent to approximately HK\$10.2 million) (for which no written contract was entered into between the parties thereto);
- (z) on 1 April 2024, the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 10,400 common stocks of Micron Technology, Inc. through the open market at the aggregate consideration of approximately US\$1.3 million (equivalent to approximately HK\$10.0 million) (for which no written contract was entered into between the parties thereto);
- (aa) on 1 April 2024, the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 740 common stocks of Super Micro Computer, Inc. through the open market at the aggregate consideration of approximately US\$0.8 million (equivalent to approximately HK\$6.0 million) (for which no written contract was entered into between the parties thereto);
- (bb) on 2 April 2024, the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 166,000 ordinary shares of Pop Mart International Group Limited through the open market at the aggregate consideration of approximately HK\$5.0 million (for which no written contract was entered into between the parties thereto);
- (cc) on 23 April 2024, the Company executed a trade order with BOCI Securities Limited relating to the further acquisition of 145,000 ordinary shares of Pop Mart International Group Limited through the open market at the aggregate consideration of approximately HK\$5.0 million (for which no written contract was entered into between the parties thereto);
- (dd) on 30 April 2024, the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 66,100 domestic shares of Seres Group Co., Ltd. through the open market at the aggregate consideration of approximately RMB6.5 million (equivalent to approximately HK\$7.1 million) (for which no written contract was entered into between the parties thereto); and

(ee) on 7 May 2024, the Company executed a trade order with BOCI Securities Limited relating to the further disposal of 82,900 domestic shares of Seres Group Co., Ltd. through the open market at the aggregate consideration of approximately RMB7.3 million (equivalent to approximately HK\$8.0 million) (for which no written contract was entered into between the parties thereto).

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, the Group is not engaged in any material litigation or arbitration proceedings nor is any material litigation or claim pending or threatened against it.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the business of the Group.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
CWK CPA Limited	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588 of Laws of Hong Kong)

CWK CPA Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter (as the case may be) and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, CWK CPA Limited had no shareholding in any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, CWK CPA Limited did not have any direct or indirect interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

The letter or report (as the case may be) from the above expert is given as at the date of this circular for incorporation therein.

9. GENERAL

- (a) The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Suites 1801-03, 18/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.
- (c) The Hong Kong share registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary of the Company is Ms. Wong Tik. Ms. Wong is a certified public accountant and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (e) In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.

10. DOCUMENTS ON DISPLAY

Copy of a memorandum giving full particulars of the transaction contemplated under the Acquisition of Inspur Shares (material contract (u) as mentioned above) will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.brainholetechnology.com>) for a period of 14 days from the date of this circular.