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INSPUR DIGITAL ENTERPRISE TECHNOLOGY LIMITED

浪潮數字企業技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

HALF-YEAR RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the “**Board**”) of Inspur Digital Enterprise Technology Limited (the “**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Unaudited Consolidated Results**”) together with the unaudited comparative figures for the corresponding period in 2023. The unaudited consolidated results have been reviewed by the Audit Committee of the Company:

Financial highlights for the six months ended 30 June 2024

- Turnover increased by 1.09% compared with the corresponding period in 2023 to RMB4,141,171,000 (the corresponding period in 2023: RMB4,096,650,000).
- Profit attributable to owners of the Company for the period was RMB105,702,000 (the corresponding period in 2023: RMB49,241,000).
- Basic earnings per share attributable to owners of the Company for the period were RMB9.26 cents (the corresponding period in 2023: RMB4.31 cents).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	NOTES	For the six months ended	
		30 June	30 June
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3	4,141,171	4,096,650
Cost of sales		(3,229,490)	(3,258,035)
Gross profit		911,681	838,615
Other income	4	94,416	76,922
Other gains and losses		(119)	(359)
Impairment losses	11	(8,953)	(8,464)
Administrative expenses		(200,318)	(198,725)
Research and development expenses		(435,791)	(414,333)
Selling and distribution expenses		(244,763)	(243,207)
Financial costs		(3,199)	(1,318)
Change in fair value of investment properties		(10,098)	(4,037)
Share of profit of associates		3,584	3,062
Share of profit of a joint venture		268	455
Profit before tax		106,708	48,611
Income tax expenses	5	(737)	(1,244)
Profit for the period	6	<u>105,971</u>	<u>47,367</u>
Profit for the period attributable to owners of the Company		105,702	49,241
Profit (loss) for the period attributable to non- controlling interests		<u>269</u>	<u>(1,874)</u>
Earnings per share			
– Basic (RMB cents)	8	<u>9.26</u>	<u>4.31</u>
– Diluted (RMB cents)		<u>9.26</u>	<u>4.31</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

	For the six months ended	
	30 June	30 June
	2024	2023
	RMB'000	RMB'000
Profit for the period	105,971	47,367
Other comprehensive (expense) income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value loss on investment in an equity instrument at fair value through other comprehensive income ("FVTOCI")	—	—
Deferred tax on revaluation upon equity instrument at FVTOCI	—	—
Exchange differences arising on translation to presentation currency	(219)	(837)
	(219)	(837)
Total comprehensive income for the period	105,752	46,530
Total comprehensive income (loss) for the period attributable to:		
– Owners of the Company	105,483	48,404
– Non-controlling interests	269	(1,874)
	105,752	46,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	<i>NOTES</i>	30 June	31 December
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		283,181	296,840
Investment properties		779,974	790,072
Right-of-use assets		54,119	55,689
Other intangible assets		30,118	33,628
Financial assets at fair value through profit or loss		1,094	—
Interest in associates		448,865	445,281
Interest in joint ventures		137,576	137,308
		<u>1,734,927</u>	<u>1,758,818</u>
Current assets			
Inventories		2,358	1,494
Trade and bills receivables	9	1,925,765	1,605,229
Debt instruments at FVTOCI		10,364	15,453
Prepayments, deposits and other receivables		615,419	431,450
Contract assets	10	930,416	824,391
Amount due from ultimate holding company	9	8,939	1,966
Amount due from fellow subsidiaries	9	568,773	389,460
Pledged bank deposits		3,693	31,654
Bank balances and cash		528,702	1,264,504
		<u>4,594,429</u>	<u>4,565,601</u>

	<i>NOTES</i>	30 June 2024	31 December 2023
		<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade payables	12	1,332,179	1,198,861
Other payables, deposits received and accrued expenses		651,208	820,594
Lease liabilities		13,896	13,896
Contract liabilities	10	1,264,791	1,427,669
Borrowings	13	91,796	—
Estimated liabilities		7,910	7,910
Amount due to ultimate holding company	12	1,378	1,172
Amount due to fellow subsidiaries	12	326,685	218,816
Amount due to associates		83,704	146,001
Deferred income - government grants		20,123	24,430
Tax payable		40,985	55,729
Dividends payable		31,255	—
		3,865,910	3,915,078
Net current assets		728,519	650,523
Total assets less current liabilities		2,463,446	2,409,341
Non-current liabilities			
Lease liabilities		6,261	6,286
Deferred income - government grants		43,652	83,840
Deferred tax liabilities		227,743	221,544
		277,656	311,670
		2,185,790	2,097,671
Capital and reserves			
Share capital	14	10,796	10,796
Reserves		2,124,618	2,036,768
Equity attributable to owners of the Company		2,135,414	2,047,564
Non-controlling interests		50,376	50,107
Total equity		2,185,790	2,097,671

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Other reserves	Special reserve	Share option reserve	Translation reserve	Revaluation reserve	Merger reserve	Retained profits	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note a)	(note b)								
On 1 January 2023	10,796	1,371,809	(498,594)	98	1,359	11,424	96,521	(347,589)	1,191,811	1,837,635	40,332	1,877,967
Profit for the period	—	—	—	—	—	—	—	—	49,241	49,241	(1,874)	47,367
Other comprehensive expense	—	—	—	—	—	(837)	—	—	—	(837)	—	(837)
Total comprehensive (expense) income for the period	—	—	—	—	—	(837)	—	—	49,241	48,404	(1,874)	46,530
Contribution by non-controlling interests	—	—	—	—	—	—	—	—	—	—	4,410	4,410
Dividends payable	—	—	—	—	—	—	—	—	(21,056)	(21,056)	—	(21,056)
Recognition of equity-settled share-based payments	—	—	—	—	13,252	—	—	—	—	13,252	—	13,252
	—	—	—	—	13,252	—	—	—	(21,056)	(7,804)	4,410	(3,394)
On 30 June 2023	10,796	1,371,809	(498,594)	98	14,611	10,587	96,521	(347,589)	1,219,996	1,878,235	42,868	1,921,103
On 1 January 2024	10,796	1,371,809	(498,594)	98	29,277	11,248	97,626	(347,589)	1,372,893	2,047,564	50,107	2,097,671
Profit for the period	—	—	—	—	—	—	—	—	105,702	105,702	269	105,971
Other comprehensive expense	—	—	—	—	—	(219)	—	—	—	(219)	—	(219)
Total comprehensive (expense) income for the period	—	—	—	—	—	(219)	—	—	105,702	105,483	269	105,752
Dividends payable	—	—	—	—	—	—	—	—	(31,255)	(31,255)	—	(31,255)
Recognition of equity-settled share-based payments	—	—	—	—	13,622	—	—	—	—	13,622	—	13,622
	—	—	—	—	13,622	—	—	—	(31,255)	(17,633)	—	(17,633)
On 30 June 2024	10,796	1,371,809	(498,594)	98	42,899	11,029	97,626	(347,589)	1,447,340	2,135,414	50,376	2,185,790

Notes:

- Other reserve arose from the acquisition of partial interest in a subsidiary without changes in control.
- The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal amount of the Company's shares issued for the acquisition at the time of the reorganisation prior to the listing of the Company's shares in 2003.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	30 June	30 June
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS USED IN OPERATING ACTIVITIES	(742,252)	(588,991)
CASH FLOWS USED IN INVESTING ACTIVITIES	(4,156)	(222,912)
CASH FLOWS FROM FINANCING ACTIVITIES	10,722	97,738
NET DECREASE IN CASH AND CASH EQUIVALENTS	(735,686)	(714,165)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,264,504	1,193,170
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(116)	77
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
BANK BALANCE AND CASH	528,702	479,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL

Inspur Digital Enterprise Technology Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The directors of the Company consider that Inspur Group Limited (“**Inspur Group**”), a company established in the People’s Republic of China (the “**PRC**”) is the immediate holding company and ultimate holding company of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the Interim Report.

The functional currency of the Company is Renminbi (“**RMB**”). The consolidated financial statements are presented in Renminbi.

The Company is an investment holding company. The principal activities of the subsidiaries (together with the Company, referred to as the “**Group**”) are engaged in enterprise management software, cloud services and Internet of Things (IoT) solutions.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the 2020 Amendments)
Amendments to HKAS 1	Non-current Liabilities with Covenants (the 2022 Amendments)
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the Amendments to References to the Conceptual Framework in HKFRS and the amendments to HKFRSs has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	For the six months ended 30 June 2024			
	Cloud services	Management software	Internet of things (IoT) solution	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	980,201	1,201,892	1,959,078	4,141,171
Segment profit	(70,738)	173,955	20,394	123,611
Unallocated other income, gains				26,009
Change in fair value of investment properties				(10,098)
Share of profit of associates				3,584
Share of profit of joint ventures				268
Share-based payments				(13,622)
Unallocated administrative costs				(10,892)
Impairment losses				(8,953)
Finance costs				(3,199)
Profit before tax				106,708

3. REVENUE AND SEGMENT INFORMATION – CONTINUED

	For the six months ended 30 June 2023			
	Cloud services	Management software	Internet of things (IoT) solution	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	720,677	1,118,811	2,257,162	4,096,650
Segment profit	(108,997)	145,825	22,254	59,082
Unallocated other income, gains				25,070
Change in fair value of investment properties				(4,037)
Share of profit of associates				3,062
Share of loss of joint ventures				455
Share-based payments				(13,252)
Unallocated administrative costs				(11,987)
Impairment losses				(8,464)
Finance costs				(1,318)
Profit before tax				48,611

4. OTHER INCOME

	For the six months ended	
	30 June 2024	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Other income:		
Interest income on bank deposits	4,841	5,303
Software tax refund	16,613	27,231
Value-added tax credits	1,930	8,301
Government grants	46,727	9,675
Rental income	20,300	22,013
Others	4,005	4,399
	94,416	76,922

5. INCOME TAX EXPENSES

	For the six months ended	
	30 June 2024	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (EIT)	5,565	470
Under provision in prior year:		
PRC Enterprise Income Tax (EIT)	(11,028)	(4,750)
Deferred tax	6,200	5,524
	737	1,244

6. PROFIT FOR THE PERIOD

	For the six months ended	
	30 June 2024	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as cost of sales	1,834,047	2,098,102
Depreciation for property, plant and equipment	15,686	19,552
Amortisation for other intangible assets	9,567	7,171

7. DIVIDENDS

The Board of directors does not recommend the payment of any dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the profit for the period attributable to owners of the Company and on the number of shares as follows:

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<u>For the six months ended</u>	
	<u>30 June 2024</u>	<u>30 June 2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Earnings</u>		
Profit for the period attributable to the owners of the Company	<u>105,702</u>	<u>49,241</u>
	<u>For the six months ended</u>	
	<u>30 June 2024</u>	<u>30 June 2023</u>
	<i>'000</i>	<i>'000</i>
<u>Number of shares</u>		
Number of ordinary shares used in basic earnings per share	1,141,921	1,141,921
Effect of dilutive potential ordinary shares arising from the outstanding share options	<u>151</u>	<u>463</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>1,142,072</u>	<u>1,142,384</u>

9. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 - 210 days to its trade customers.

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date, which approximated the revenue recognition date.

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	1,034,014	1,063,945
31-60 days	225,091	130,627
61-90 days	210,348	57,405
91-120 days	98,402	60,895
121-180 days	140,909	65,702
Over 180 days	217,001	226,655
	<u>1,925,765</u>	<u>1,605,229</u>

The following is an aging analysis of amount due from fellow subsidiaries and ultimate holding company for the purchase of goods and services at the reporting date.

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from fellow subsidiaries		
0-30 days	271,182	166,222
31-60 days	106,539	35,062
61-90 days	41,508	38,504
91-180 days	79,686	81,087
Over 180 days	69,858	68,585
	<u>568,773</u>	<u>389,460</u>

9. TRADE AND BILLS RECEIVABLES – CONTINUED

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from ultimate holding company		
0-30 days	5,915	859
31-60 days	15	260
61-90 days	304	—
Over 90 days	2,705	847
	<u>8,939</u>	<u>1,966</u>

10. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
CONTRACT ASSETS		
Current-software development	<u>930,416</u>	<u>824,391</u>
CONTRACT LIABILITIES		
Current-software development	<u>(1,264,791)</u>	<u>(1,427,669)</u>

11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

	For the six months ended	
	30 June 2024	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment loss in respect of		
Trade receivables	680	(7,348)
Contract assets	8,273	15,812
	<u>8,953</u>	<u>8,464</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2023.

12. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables, presented based on the invoice date.

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
0-60 days	581,097	892,091
61-90 days	102,608	7,933
Over 90 days	648,474	298,837
	<u>1,332,179</u>	<u>1,198,861</u>

12. TRADE AND OTHER PAYABLES – CONTINUED

The following is an aging analysis of amount due to fellow subsidiaries and ultimate holding company for the purchase of goods and services at the reporting date.

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due to fellow subsidiaries		
0-60 days	78,849	154,040
61-90 days	36,068	10,363
Over 90 days	211,768	54,413
	<u>326,685</u>	<u>218,816</u>
	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due to ultimate holding company		
0-60 days	98	118
61-90 days	8	25
Over 90 days	1,272	1,029
	<u>1,378</u>	<u>1,172</u>

13. BORROWINGS

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Current		
Bank borrowings	91,796	—
	91,796	—

The Group's bank borrowings bear actual interest rate ranging from 3.00% to 3.60%.

14. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	'000	'000	RMB'000	RMB'000
Ordinary shares of HK\$0.01 each:				
Authorised	2,000,000	2,000,000	15,806	15,806
At beginning of period	1,141,921	1,141,921	10,796	10,796
At end of period	1,141,921	1,141,921	10,796	10,796

15. RELATED PARTY TRANSACTIONS/BALANCES

Apart from the amounts due from and to related parties as disclosed in the condensed consolidated statement of financial position, certain of which also constitute connected transaction under Chapter 14A of Listing Rule of HKEX, the Group had entered into the following related party transactions during the period:

	<i>Notes</i>	For the six months ended	
		30 June 2024	30 June 2023
		<i>RMB'000</i>	<i>RMB'000</i>
Supply Transactions	(i)	249,497	201,090
Selling Agency transactions			
(1) Accumulated transactions amount	(ii)	307,181	207,582
(2) Related commission amount		3,072	2,049
Purchase Transactions	(iii)	240,209	138,271
Common Services Transactions	(iv)	8,189	4,655
Leasing Services Transactions	(v)	20,374	21,430
Business Travel Services Transaction	(vi)	7,164	—

Notes:

- (i) The Group supplied goods for Inspur Group with reference to the market price.
- (ii) The Group engaged Inspur Group as the sales agent for the Group's products and services and Inspur Group received a commission of not more than 1% of the total sales value of the products and services.
- (iii) The Group would purchase computer software and hardware products from the Inspur Group. The unit price of computer products and components to be supplied by the Inspur Group would be agreed between parties with reference to the then prevailing market prices of such products at the relevant time.
- (iv) Inspur Group would provide services to the Group in relation to the use of the property on normal commercial terms and on arm's length terms or on terms no less favourable to the Group than those for provision of similar services by Inspur Group to other parties or by other parties to the Group.
- (v) The Group would provide leasing services (leasing services) for the Group's property to Inspur Group at rates negotiated on normal commercial terms and on arm's length terms or on terms no less favourable than those for provision of similar services to other parties.
- (vi) Inspur Travel provided certain business travel services to the Group. The supply of business travel services is on normal commercial terms and the price is determined with reference to the then prevailing prices of services provided by Inspur Travel to other independent third parties and other factors.

15. RELATED PARTY TRANSACTIONS/BALANCES – CONTINUED

On 28 July 2022, the Company entered into the Framework Financial Services Agreement with Inspur Group Finance Limited (Hereinafter referred to as “**Inspur Finance Company**”), pursuant to which Inspur Finance Company agrees to provide several categories of financial services including Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services on a non-exclusive basis to the Group for a term of three years ending on 31 December 2025.

Details of such major connected transaction were disclosed in the Company’s announcement dated 28 July 2022 and circular dated 31 August 2022 (the “**Circular**”).

According to the deposit service, the maximum daily deposit balance (including any accrued interest) deposited with Inspur Finance Company from the effective date of the framework financial service agreement to 31 December 2025, the recommended upper limit does not exceed RMB500,000,000. The board of directors confirmed that as of 30 June 2024, the daily deposit balance of the Group in Inspur Finance Company (including any accrued interest) did not exceed the upper limit.

Inspur Finance Company will provide loan financing services to the Group from time to time under the loan financing services. The total outstanding amount under the loan financing services shall not exceed RMB500,000,000. As of 30 June 2024, the Group’s total borrowings from Inspur Finance Company amounted to RMB83,704,000, which did not exceed the cap.

Management Discussion and Analysis

Financial Review

As of 30 June 2024, the Group's revenue was mainly derived from its business in the PRC. During the reporting period, the Group's revenue increased by 1.09% and gross profit increased by 8.71% compared with the corresponding period last year.

(1) Turnover

During the reporting period, the Group recorded a turnover of RMB4,141,171,000, representing an increase of 1.09% compared with the corresponding period last year (the corresponding period in 2023: RMB4,096,650,000) and a turnover of RMB2,182,093,000 for the software and cloud services business, representing an increase of 18.63% as compared with the corresponding period last year (corresponding period in 2023: RMB1,839,488,000). Revenue from the cloud services business amounted to RMB980,201,000, representing an increase of 36.01% compared with the corresponding period last year (the corresponding period in 2023: RMB720,677,000), and revenue from cloud services business accounted for 44.92% of the Group's turnover for the software and cloud services business and was the driving force behind the Company's revenue growth; Revenue from the management software business amounted to RMB1,201,892,000, representing an increase of 7.43% compared with the corresponding period last year (the corresponding period in 2023: RMB1,118,811,000); Revenue from the Internet of Things (IoT) solutions business amounted to RMB1,959,078,000, representing a decrease of 13.21% compared with the corresponding period last year (the corresponding period in 2023: RMB2,257,162,000).

(2) Gross profit

During the reporting period, gross profit from operating activities was RMB911,681,000, representing an increase of 8.71% compared with the corresponding period last year (the corresponding period in 2023: RMB838,615,000). The overall gross profit margin was 22.02%, representing an increase of 1.55 percentage points compared with the corresponding period last year (the corresponding period in 2023: 20.47%).

(3) Administrative expenses, research and development expenses and selling expenses

During the reporting period, administrative expenses amounted to RMB200,318,000, representing an increase of 0.80% compared with the corresponding period last year (the corresponding period in 2023: RMB198,725,000), mainly due to the increase in HR administrative expense.

During the reporting period, research and development expenses amounted to RMB435,791,000, representing an increase of 5.18% compared with the corresponding period last year (the corresponding period in 2023: RMB414,333,000), mainly due to the increase in investment in research and development for the cloud services business, the expansion of the Company's research and development staff and the increase in research and development-related labour cost.

During the reporting period, selling and distribution expenses amounted to RMB244,763,000, representing an increase of 0.64% compared with the corresponding period last year (the corresponding period in 2023: RMB243,207,000), mainly due to the increase in sales-related manpower expenses.

(4) Other income from operating activities, other net income

During the reporting period, other income, other net income amounted to RMB94,297,000, representing an increase of 23.16% compared with the corresponding period last year (the corresponding period in 2023: RMB76,563,000). This was mainly attributable to: 1) government grants of RMB46,727,000, representing an increase of 382.97% compared with the corresponding period last year (the corresponding period in 2023: RMB9,675,000); 2) rental income from investment properties of RMB20,300,000, representing a decrease of 7.78% compared with the corresponding period last year (the corresponding period in 2023: RMB22,013,000); 3) software tax refund of RMB 16,613,000, representing a decrease of 38.99% compared with the corresponding period last year (the corresponding period in 2023: RMB27,231,000); 4) Value-added tax credit of RMB1,930,000, representing a decrease of 76.75% as compared with the corresponding period last year (corresponding period in 2023: RMB8,301,000).

(5) Investment income (losses) from associates and joint ventures

During the reporting period, investment income from associates amounted to RMB 3,584,000, representing an increase of 17.05% compared with the corresponding period last year (the corresponding period in 2023: RMB3,062,000). During the reporting period, investment income from joint ventures amounted to RMB268,000, representing a decrease of 41.10% compared with the corresponding period last year (the corresponding period in 2023: RMB455,000).

(6) Profit before tax

During the reporting period, the Company recorded a profit before tax of RMB 106,708,000 (the corresponding period in 2023: RMB48,611,000), mainly due to operating profit of RMB173,955,000 from the management software business, representing an increase of 19.29% compared with the corresponding period last year (the corresponding period in 2023: RMB145,825,000).

(7) Profit attributable to owners of the Company

During the reporting period, profit attributable to owners of the Company amounted to RMB105,702,000 (the corresponding period last year: RMB49,241,000), representing a substantial increase in profit for the reporting period, which was mainly attributable to operating profit from management software business which amounted to RMB173,955,000, representing an increase of 19.29% compared with the corresponding period last year (the corresponding period in 2023: RMB145,825,000).

Basic earnings per share were RMB9.26 cents (the corresponding period in 2023: RMB4.31 cents) and diluted earnings per share were RMB9.26 cents (the corresponding period in 2023: RMB4.31 cents).

(8) Financial Resources and Liquidity

As at 30 June 2024, current assets amounted to RMB4,594,429,000, and mainly comprised trade and bills receivables, contract assets and bank balances and cash.

Current liabilities amounted to RMB3,865,910,000 and mainly comprised trade payables, other payables and accrued expenses and contract liabilities. The Group's current assets were 1.19 times (31 December 2023: 1.17 times) of its current liabilities.

The Group's bank borrowings amounted to RMB91,796,000.

Foreign exchange risk

The Group's purchases and sales are mainly denominated in RMB. The Group does not use any derivative instruments to hedge its currency exposure. The Group is currently in a strong financial position and will be able to meet its foreign exchange liabilities as they fall due. The Group's functional currency is RMB and the statements adopt RMB as the presentation currency.

Employee Information

As of 30 June 2024, the Group had 8,422 employees. During the reporting period, total staff remuneration (including directors' remuneration and Mandatory Provident Fund contributions) under operating activities amounted to RMB917,570,000.

In accordance with the Group's remuneration policy, employees are remunerated based on their performance and competence, and incentives and options are granted to eligible employees. In addition, the Group provides a mandatory provident fund scheme and a medical protection scheme to all employees, and the Company also provides continuing education and training to its employees to continuously upgrade their skills.

Charges of assets

As of 30 June 2024, the Group's bank deposits of RMB3,693,000 (31 December 2023: RMB31,654,000) were pledged for the purpose of tendering.

BUSINESS REVIEW

During the reporting period, the Group adhered to its innovation-driven approach and grasped the strategic opportunities arising from the technological revolution, industrial transformation and the restructuring of enterprise software ecosystems. With the support of its intelligent ERP and PaaS platform product systems, the Group is committed to becoming a world-class enterprise software and cloud services provider by assisting in the digitalization of the whole business of enterprises through the digitalization of operation and management and the digitalization of production and operation.

During the reporting period, the Company's development reached a new level by closely focusing on the goal of "becoming a world-class enterprise", focusing on its main responsibilities and anchoring its development direction. The Company remained the No. 1 in China's low-code software local deployment market (IDC) and the No. 1 in China's aPaaS market development capability (CCID), and was honoured as an enterprise contributing to the 40th anniversary of China's software, and Inspur Haiyue was awarded as the preferred product for China's enterprise financial digital transformation. The Company continued to make breakthroughs in innovation to strengthen the core competitiveness of its products. The Company broke through 9 new technologies and launched 6 new products, among which, Inspur Haiyue GS Cloud broke through the original intelligent search, BiGRU voice recognition manipulation by integrating the attention mechanism, expanding 10 intelligent scenes; the Company formally launched Inspur Haiyue PaaS platform, iGIX7.0, and Haiyue Big Model 2.0. With the Haiyue PaaS platform as the foundation and the Haiyue Big Model as the intelligent hub, the Company will comprehensively enhance the intelligent operation and automation capabilities of enterprises, and create a one-stop decoupled digital innovation chassis driven by AI for enterprises. Meanwhile, the Company focuses on the accumulation of patents and standards, applying for 658 patents and authorizing 131 patents, which further strengthens the Company's core competitiveness. The Company has been approved two provincial science and technology innovation platforms, such as key laboratories in Shandong Province. The Company has initiated three industry-academia-research co-operation projects relying on Xi'an Jiaotong University and other colleges and universities, which have contributed to the technological breakthroughs in the fields of intelligent manufacturing, intelligent water supply, and intelligent grain storage. The Company continues to plough into the market of central and state-owned enterprises, seizing the opportunity of digital transformation of central and state-owned enterprises, and assisting large central enterprise groups such as Dongfang Electric (東方電氣), Datang Group (大唐集團) and Nam Kwong Group (南光集團) in realizing digital transformation.

I. Cloud Services Business

The Group provides comprehensive cloud services to enterprises of different sizes, strengthens and expands ecosystem construction, empowers Inspur partners and customers, and enhances core competitiveness in the digital economy. During the reporting period, the cloud services business achieved high revenue growth, recording revenue of RMB980,201,000, representing a year-on-year increase of 36.0% (corresponding period in 2023: RMB720,677,000).

(1) Large enterprises market

During the reporting period, Inspur Haiyue GS Cloud drove management changes and empowered enterprises with the concept of promoting the digital-intelligent cycle, and constructed the “Eight Horizontal and Eight Vertical (八橫八縱)” enterprise-finance integrated high-speed channel to help speed up the digital transformation and shift gears. Focusing on key areas such as digital finance and intelligent manufacturing, the Company actively launches product and technology innovation, applies AI technologies such as knowledge map, machine vision, machine learning and big model to enhance business automation and intelligence, breaks through technologies such as intelligent search of originals and BiGRU voice recognition manipulation by integrating the attention mechanism. The Company has researched and developed intelligent sharing, intelligent treasury, intelligent assets, intelligent manufacturing, industrial interconnection, intelligent files and other scenarios, and has continued to serve central enterprises such as China National Building Material (中國建材), China Railway Signal & Communication (中國通號), China Eastern Airlines (東方航空), and POWERCHINA (中國電建).

Inspur Haiyue HCM Cloud as a new generation of enterprise integrated human resources service platform, with artificial intelligence, big data and other technologies as the engine, creates a new model of intelligent human resources management applications. The Company launched Inspur Haiyue HCM Cloud, supporting for the model fine-tuning, RAG. The Company summed up the precipitation of the launch of the 180 + intelligence, with comprehensive support for the human resources business access to the analysis of the big models. The Company successfully signed contracts with China Post (中國郵政), Shudao Group (蜀道集團), Nanning Rail Transit (南寧軌道交通), TELD (特來電) and other industry benchmark enterprises , joining hands with China Energy Engineering (中國能建), Aluminium Corporation of China (中國鋁業), China Railway Construction (中國鐵建) and other central enterprise customers to make progress together, and jointly promoting the construction of enterprise human resources digitization.

The Company launched iGIX7.0, a Inspur Haiyue PaaS platform, which uses the Haiyue big model as an intelligent hub to drive the intelligent transformation and upgrading of seven sub-platforms, such as the low-code platform, the Internet of Things platform, and the data centre, to create a one-stop decoupled AI-driven digital innovation pedestal. They have the four characteristics of comprehensive intelligence, data-driven, panoramic connectivity, and open source, which comprehensively enhance the intelligent operation and intelligent automation capabilities of enterprises, and help build digital enterprises with digital productivity. At present, they have already served many large-scale enterprises, such as Dongfang Electric (東方電氣), China Energy Conservation (中國節能), China Guoxin (中國國新), China Grain Reserves (中儲糧), Guangzhou Water Supply (廣州自來水), Shandong Energy (山東能源), and so on.

The Company has launched Haiyue Big Model 2.0, which builds an integrated solution of big model base, vertical big model and intelligent application for enterprises, and deeply integrates with Inspur Haiyue software to drive intelligent scenarios in the four aspects of software development, digital and intellectual fusion, intelligent operation and maintenance, and application intelligence. It has five core features: vertical large model, knowledge base of enterprise domain, out-of-the-box knowledge base, unified skills plug-in library, security compliance and trustworthiness, which deeply empowers the intelligent construction of enterprises and helps them to operate intelligently. Haiyue Big Model 2.0 has provided important support for the intelligent upgrading of a number of large-scale enterprises, including Dongfang Electric (東方電氣), China Changan Automobile (中國長安汽車), China National Machinery Industry Group (中國機械工業集團), and Aluminium Corporation of China (中國鋁業集團). Based on the Inspur Haiyue Big Model and the fusion of industry and domain expertise, the Company has successively launched a number of Haiyue Big Model industry and domain scenarios such as intelligent grain storage, intelligent water supply, and intelligent state-owned capital, which have led the development of full-business intelligence in thousands of industries.

(2) Small and medium-sized enterprise (SME) market

Inspur Haiyue inSuite is guided by customer demand and strives to improve the two systems of “standard products + industry products”. The Company helps enterprises to improve the four core competencies of cost control, intelligent operation, receivable growth, and product innovation, reduces the cost of digital transformation of small and medium-sized enterprises, and empowers thousands of industries. In terms of standardization, the Company vigorously promotes the SaaS model, and achieves rapid delivery in projects such as Quan Sen Bio (泉森生物), Shanghai Water Meter Factory (上海水錶廠), and Xinjiang Jiangnao Railway (新疆將淖鐵路). In terms of industrialization, around the target industries of medicine, food, liquor, cold chain logistics, modern services, etc., the Company has built up benchmark cases such as ABB-Celex (怡申股份), TopOlefin Technology (拓稀科技), Qiantang Printing (錢塘彩印), Lights Medical (普光醫用材料), Welmetal (華美盛業) and Tongdatong (同達通). In terms of channelization, the two-pronged approach of “Expansion + Enabling”, the Company focuses on supporting core partners to enhance their independent customer acquisition and delivery capabilities, with more than 200 new partners signed in the first half of the year. Inspur Haiyue inSuite was selected as a project of the Ministry of Industry and Information Technology to unveil intelligent manufacturing system solutions, and was awarded as a model case of digital transformation in the software industry.

During the reporting period, Inspur Yiyun positioned itself as a comprehensive service platform for small and micro enterprises’ finance, tax and capital, relying on its core products such as Cloud Accounting, Cloud Inventory, Cloud Store, etc., and continued to iterate and upgrade its integrated products for the supervision of finance and capital for the three-capital, housing and construction industries and other small sub-sectors, thus increasing its market share. Inspur Yiyun has deepened the ecological integration of the financial industry and developed the financial industry market in depth, and has already reached strategic cooperation with large banks such as Postal and Reserve Bank (郵儲銀行), Bank of Communications (交通銀行), Chongqing Rural Commercial Bank (重慶農商行), Pudong Development Bank (浦發銀行), Sichuan Bank (四川銀行), and China CITIC Bank (中信銀行), which comprehensively assisted in the digital transformation of bank customers.

II. Management Software Business

During the reporting period, the Group made full use of its product strengths in the areas of intelligent state-owned capital, intelligent manufacturing, intelligent treasury and data centre to build an integrated operation and management platform based on a unified platform covering all levels and business domains of the Group, assisting the Group's enterprises in deepening the implementation of digital transformation, further consolidating the high-end market advantage in the management software business, and proactively promoting the transformation of the entire business of the enterprises into a digital environment. The management software business recorded revenue of RMB1,201,892,000, representing a year-on-year increase of 7.4% (corresponding period in 2023: RMB1,118,811,000).

The Company launched the Inspur Haiyue State-owned Assets Model, which, through the deep integration of the knowledge base and best practices of state-owned assets supervision, realizes comprehensive coverage of multiple business scenarios and provides all-round and integrated solutions for state-owned assets supervision. The Company has actively participated in the digital transformation of the government, and currently serves 16 provincial SASACs and 80 municipal SASACs in Shandong, Tianjin, Chongqing, Hunan and Jiangsu.

In terms of intelligent manufacturing, the Company comprehensively supports the upgrading and optimization of the networked collaborative manufacturing platform from the industrial Internet of Things platform, the MOM intelligent factory management system at the edge layer to the shop floor layer, and then to the ERP business management system. Relying on the demands of key customers such as TBEA (特變電工), China Railway Hi-Tech Industry (中鐵工業) and Shandong Zhangqiu Blower (山東章鼓), we continue to improve MOM, WMS and QMS products, complete the safety production module, and build an enterprise safety production risk monitoring and early warning system, which realizes classification, real-time monitoring, dynamic evaluation and timely early warning. Inspur Haiyue industrial software was awarded the First Prize of Scientific and Technological Progress by Shandong Internet of Things Association and the First Prize of Shandong Intelligent Manufacturing (Industry 4.0) Innovation and Entrepreneurship Competition for the third consecutive year.

In terms of data centre, the Company grasped national policy hotspots such as data asset listing and data elements, and enhanced its technology and capability in data integration, governance, sharing and ease of use. The Company has made breakthroughs in data asset value assessment technology based on hierarchical analysis and Delphi method and dynamic modelling technology based on stream processing to enhance the ability of data governance in the whole chain; the Company has anchored in the technological transformation of business analysis products and made breakthroughs in NL2SQL technology based on natural language processing algorithms to create a new generation of ChatBI products with conversational intelligent analysis. The Company has formed a national first-class and provincial leading data asset valorization service capability, and has been accredited as the “Data Asset Valuation” Shandong Data Open Innovation Application Laboratory and the “New Quality Productivity and Data Assetization” Shandong Engineering Research Centre, and has accumulated services for customers such as Shandong Port (山東港口), Shandong Hi-speed (山東高速), Shandong Tudi (山東土地), Jinan Energy (濟南能源), and Haikou Transportation Investment (海口交投), etc, which have helped to unleash the value of the data elements.

In terms of digital supply chain, the Company has achieved coverage of 1,200+ business scenarios across a wide range of industries, including pharmaceuticals, chemicals, FMCG, building materials, equipment manufacturing, energy, etc., and has created end-to-end integrated application of the entire supply chain, ranging from demand proposal, procurement planning, procurement sourcing, procurement execution, to inventory management, inventory accounting, and product sales and services. The Company serves the customers of large central enterprises such as China National Pharmaceutical (中國醫藥), China Coal Construction (中煤建). In CCID’s ‘China Enterprise Application Software Market Research Report 2023-2024’, the Company ranked No. 2 in China and No. 1 among domestic vendors in the SCM software market due to its excellent product technology strength and market performance.

Communication Information has constructed an ecosystem of “integrated scheduling + AI operation”, focusing on computing network, focusing on new technologies such as integrated scheduling, big model, data computing network, 6G and semantic communication, and exporting more than 10 achievements such as relevant standards, white papers and scientific research papers to strengthen its technological influence in the computing network industry. The Company has won more than 10 national and provincial awards, creating a source of innovation in computing networks.

III. Internet of Things (IoT) Solutions Business

The Internet of Things solutions business recorded revenue of RMB1,959,078,000, representing a year-on-year decrease of 13.2% (corresponding period in 2023: RMB2,257,162,000).

New breakthroughs were made in the AI application effect of Inspur Haiyue’s intelligent grain products. The Company launched Intelligent Warehousing and Logistics Park Software V1.0, newly developed transit logistics, emergency command and dispatch, and firefighting hand-alarm module, which helped to open up new markets; Inspur Haiyue’s grain storage intelligent supervision software research and development project was selected as one of the “fourth batch of key projects of the high quality development of the software industry by Provincial Department of Industry and Information Technology”. The Company co-operated with Xi’an Jiaotong University and other universities in the field of digital life technology for the grain industry. The Company won the bidding of a number of CCPF’s direct-affiliated warehouses, and its market share of intelligent grain continues to be the first in the market. The Company participated in the compilation of the “Informatization Standard for Supervision of Foodstuffs Purchasing and Marketing” and other relevant industry standards and norms, leading the development of the industry and enhancing the value of the brand. The Company was awarded “2023 Digital Service Excellent Solution”.

Communication Information increased its investment in research and development and fully stimulated its innovative vigour. The Company launched new products such as OMEGA Operation and Maintenance Brain and Integrated Service Platform for Low Altitude Specialized Network Operation, expanding new business areas. The series of products under the brand name of “Yunrui and Tianji” were newly launched, forming two platforms, namely, Digital Intelligence Enablement and Computing Network Enablement, which provide efficient support for the intelligent management of operators’ networks and the intelligent operation and maintenance of data centres. The Company continues to build key products, launching the Arithmetic Network Operating System 2.0 and Arithmetic Network Data Service Platform, etc., and conducting demonstration applications for industrial and urban arithmetic networks, thus firmly establishing Inspur’s professional image in the field of arithmetic networks, and moving from a parallel runner to a proactive leader. The Group strengthened the construction of market system and layout of overseas market, expanded the market in Southeast Asia and the Middle East such as Saudi Arabia, Malaysia, Singapore, etc., signed key projects in countries and regions such as Essex and Saudi Arabia, and completed the deployment of the market in Indonesia, Thailand, the Philippines and other countries.

BUSINESS PLANNING

Currently, the digital economy is booming, accelerating the digital transformation of enterprises to become the key to accelerate the development of new quality productivity. Inspur Haiyue Software has provided digital transformation services for 79 central enterprises, 190 China’s top 500 enterprises and more than 1.2 million enterprises. In the future, Inspur Haiyue Software will adhere to the innovation drive, continue to focus on customers, accelerate the digital transformation of enterprises with more advanced technology, more comprehensive applications, more secure products, and strengthen the cooperation with first-class enterprises, joint innovation, and help enterprises to develop in high quality.

Purchase, sale or redemption of shares

During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Competitive interests

During the reporting period, none of the Directors, Chief Executive Officers, substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete with the business of the Group.

Share Option Scheme

The Company adopted a new share option scheme on 23 November 2018. At the end of the reporting period, the number of shares available for issue and outstanding under the share option scheme was 33,207,100 shares.

Audit Committee

The Company has established an audit committee in accordance with the written terms of reference of the Listing Rules. The Audit Committee is primarily responsible for reviewing and supervising the Group's financial reporting process and internal control system. The Audit Committee comprises three independent non-executive directors, namely Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian. Mr. Wong Lit Chor, Alexis is the chairman of the Audit Committee.

The Audit Committee has reviewed this report and has provided its recommendations and opinion thereon.

Code of Corporate Governance Practices

As of 30 June 2024, the Group has complied with the Code Provisions on Corporate Governance Practices (the “**Code**”) as set out in Appendix 14 to the Listing Rules for Main Board.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in relation to Securities Transactions by Directors (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2024.

By Order of the Board

Inspur Digital Enterprise Technology Limited

Zhao Zhen

Chairman

Hong Kong, 27 August 2024

As at the date of this announcement, the Board comprised Mr. Zhao Zhen, Mr. Wang Yusen and Mr. Cui Hongzhi as executive Directors; Ms. Li Chunxiang as non-executive Director; and Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian as independent non-executive Directors.