INSPUR INTERNATIONAL LIMITED

浪 潮 國 際 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 2017

The board of Directors (the "Board") of Inspur International Limited (the "Company") present the unaudited consolidated results (the "Unaudited Consolidated Results") of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 together with comparative unaudited figures for the corresponding period in 2016.These interim results have not been reviewed by the auditors of the company，but have been reviewed by the audit committee of the company.

Financial highlights for the year ended 30 June 2017:

—Turnover increased by approximately 5.55% compared with 2016 to approximately HKD550,669,000(2016:HKD521,703,000).

—Loss attributable to owners of the Company during the year was approximately HKD12,635,000, increased by approximately 143.97% compared with 2016 (2016: loss of HKD5,179,000).

—Basic loss per share attributable to owners of the Company during the year was approximately HK1.40 cents, increased by approximately 145.61% compared with 2016(2016: loss of HK0.57 cents).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

		Six months ended30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	*(unaudited)*
Revenue	2	**550,669**	521,703
Cost of sales		**(396,616)**	(368,862)
Gross profit		**154,053**	152,841
Other income	3	**61,282**	58,918
Increase in fair value of investment properties		**5,519**	3,059
Administrative and other operating expenses		**(146,606)**	(137,329)
Selling and distribution expenses		**(96,551)**	(89,510)
Share of profit of associates		**10,439**	7,831
(Loss) before taxation	4	**(11,864)**	(4,190)
Taxation	5	**(1,010)**	(798)
(Loss)for the period		**(12,874)**	(4,988)
Profit (Loss) for the period attributable to owners of the Company		**(12,635)**	(5,179)
Profit(Loss) for the period attributable to non-controlling interest		**(239)**	191
		(12,874)	(4,988)
(Loss) per share			
Basic		**(1.40)cents**	(0.57)cents
Diluted		**(1.40)cents**	(0.57) cents

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Net (loss) for the period	**(12,874)**	(4,988)
Item that may not be reclassified to profit or loss		
Other Comprehensive(expenses) Income:		
Exchange Difference arising on translation	**41,459**	(40,727)
Gain on revaluation upon transfer from property, plant and equipment to investment properties	**639**	55,351
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties	**0**	(13,124)
Total Comprehensive Income for the period	**29,224**	(3,488)
Total comprehensive (expenses) income attributable to:		
Owners of the Company	**28,671**	(3,582)
Minority interests	**553**	94
	29,224	(3,488)

CONDENSED CONSOLIDATED OF FINANCIAL POSITION (UNAUDITED)

	Notes	**30.6.2017** **HK$'000** ***(unaudited)***	31.12.2016 *HK$'000* *(audited)*
Non-current assets			
Property, plant and equipment		**314,724**	312,869
Investment property		**530,154**	506,568
Prepaid lease payments		**33,254**	32,447
Available-for-sale Investment		**20,697**	20,067
Interests in associates		**127,282**	102,926
Interest in a jointly venture		**125,469**	131,174
		1,151,580	1,106,051
Current assets			
Inventories		**13,960**	8,294
Trade and bills receivables	9	**167,970**	160,784
Prepaid lease payments		**844**	818
Prepayments, deposits and other receivables		**85,447**	78,806
Amounts due from customers for contract work		**76,530**	46,284
Entrusted loans receivable	7		326,942
Amount due from ultimate holding company	9	**2,149**	295
Amount due fromfellow subsidiaries	9	**143,164**	58,459
Pledged bank deposits		**10,319**	18,449
Bank balances and cash		**1,026,151**	852,975
		1,526,534	1,552,106
Current liabilities			
Trade and bills payables	10	**91,278**	96,184
Other payables, deposits received and accrued expenses		**478,339**	479,857
Amounts due to customers for contract work		**194,575**	188,819
Amount due to ultimate holding company	10	**2,805**	13,409
Amount due to fellow subsidiaries	10	**27,946**	27,855
Deferred Income- government grant		**61,825**	49,753
Taxation payable		**14,381**	12,852
		871,149	868,729
Net current assets		**655,385**	683,377
Total assets less current liabilities		**1,806,965**	1,789,428
Non-current liabilities			
Deferred income-government grant		**15,738**	12,467
Deferred tax liabilities		**43,678**	42,370
		59,416	54,837
		1,747,549	1,734,591

CONDENSED CONSOLIDATED OF FINANCIAL POSITION (UNAUDITED)(CON'T)

	Notes	**30.6.2017**	31.12.2016
		HK$'000	HK$'000
		(unaudited)	(audited)
Capital and reserves			
Share capital	11	**9,015**	9,015
Reserves		**1,737,721**	1,725,316
Equity attributable to owners of the Company		**1,746,736**	1,734,331
Minority interests		**813**	260
Total equity		**1,747,549**	1,734,591

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital *HK$'000*	Share Premium *HK$'000*	Special Reserve *HK$'000*	other reserve *HK$'000*	Share option reserve *HK$'000*	Translation reserve *HK$'000*	Retained profits (loss) *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2016	9,015	953,077	92	(2,634)	40,550	153,974	584,686	1,738,760	1,165	1,739,925
Exchange differences arising from translation of overseas operation	—	—	—	—	—	(40,630)	—	(40,630)	(97)	(40,727)
Profit(loss) for the period	—	—	—	—	—	—	(5,179)	(5,179)	191	(4,988)
Recognition of fair value of Investment property				42,227				42,227		42,227
Recognition of Share option					13,150			13,150		13,150
Dividend payable	—	—	—	—	—	—	(27,046)	(27,046)	—	(27,046)
Total recognise eguity for the period	—	—	—	42,227	13,150	(40,630)	(32,225)	(17,478)	94	(17,384)
At 30 June 2016	9,015	953,077	92	39,593	53,700	113,344	552,461	1,721,282	1,259	1,722,541
At 1 January 2017	9,015	953,077	92	68,040	61,170	16,867	626,070	1,734,331	260	1,734,591
Exchange differences arising from translation of overseas operation	—	—	—	—	—	40,667	—	40,667	792	41,459
Profit(loss) for the period	—	—	—	—	—	—	(12,635)	(12,635)	(239)	(12,874)
Recognition of fair value of Investment property				639				639		639
Recognition of Share option					10,780			10,780		10,780
Dividend payable	—	—	—	—	—	—	(27,046)	(27,046)	—	(27,046)
Total recognise eguity for the period	—	—	—	639	10,780	40,667	(39,681)	12,405	553	12,958
At 30 June 2017	9,015	953,077	92	68,679	71,950	57,534	586,389	1,746,736	813	1,747,549

CONDENSED CONSOLIDATED CASH FLOW STATEMENT(UNAUDITED)

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
NET CASH USED IN OPERATING ACTIVITIES	**(120,260)**	(91,254)
NET CASH USED IN FROM INVESTING ACTIVITIES	**295,772**	(391,930)
NET CASH USED IN FINANCING ACTIVITIES	**(27,046)**	(27,046)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**148,466**	(510,230)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**852,975**	1,095,218
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**24,710**	(23,212)
CASH AND CASH EQUIVALENT AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**1,026,151**	561,776

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules.

The condensed financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value.

In the current interim period, the Group has applied for some revised standards and amendments and interpretations ("HK(IFRIC)-IN'T") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2017. The adoption of the new HKFRSs has no material effect on the condensed consolidated financial statement for the current or prior accounting period.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold and services rendered by the Group, less discounts, returns and allowances.

Business segment
The Group is currently organized into software development and solution and software outsourcing.

About these operating divisions is presented below:

Segment revenues and results for the six months ended 30 June 2017

	Information technology services		
	Software development and solution	**software outsourcing**	**Total**
	HK$'000	**HK$'000**	***HK$'000***
Revenue	**411,772**	**138,897**	**550,669**
Segment results	**(10,153)**	**(16,485)**	**(26,638)**
Unallocated income			**28,860**
Change in fair value of investment properties			**5,519**
Unallocated corporate expense			**(30,044)**
Share of results of associates			**10,439**
(Loss) before taxation			**(11,864)**
Taxation			**(1,010)**
(Loss) for the period			**(12,874)**

2. REVENUE AND SEGMENT INFORMATION(CON'T)

Business segment(CON'T)

Segment revenues and results for the six months ended 30 June 2016

	Information technology services		
	Software development and solution	**software outsourcing**	**Total**
	HK$'000	**HK$'000**	***HK$'000***
Revenue	**359,647**	**162,056**	**521,703**
Segment results	**8,293**	**(1,647)**	**6,646**
Unallocated income			**11,681**
Change in fair value of investment properties			**3,059**
Unallocated corporate expense			**(33,407)**
Share of results of associates			**7,831**
(Loss) before taxation			**(4,190)**
Taxation			**(798)**
(Loss) for the period			**(4,988)**

3. Other income

	Six months ended30 June	
	2017	2016
	HK$'000	*HK$'000*
Interest income	**16,032**	13,768
VAT refund	**23,084**	21,056
Government subsidies and grants	**2,261**	12,054
Rental income	**19,267**	11,682
Others	**638**	358
	61,282	58,918

4. LOSS BEFORE TAXATION

	Six months ended30 June	
	2017	2016
	HK$'000	*HK$'000*
Loss before taxation has been arrivedat after charging:		
Cost of inventories recognised as expenses	**109,002**	94,533
Depreciation	**8,933**	9,693

5. TAXATION

	Six months ended30 June	
	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Hong Kong		-
PRC Enterprise Income Tax		-
Deferred taxation	**1,010**	798
	1,010	798

Enterprise income tax rates applicable to the Group's subsidiaries in the PRC are ranging from 10% - 25%, and have been applied to calculate the Group's PRC Enterprise Income Tax in accordance with relevant laws and regulations in the PRC.

6. (LOSS) / EARNINGS PER SHARE

The calculation of basic and diluted earnings/ (loss) per shareattributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended30 June	
	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit from operations		
(Loss)/ earnings for the purpose of basic earnings/ (loss) per share ((Loss) / profit for the period attributable to equity holders of the parent)	**(12,635)**	(5,179)
(Loss)/Earnings for the purpose of diluted(loss)/ earnings per share	**(12,635)**	(5,179)
Number of shares (in thousands)		
Weighted average number of ordinary shares for the purpose of basic (loss) / earnings per share	**901,536**	901,536
Effect of dilutive potential ordinary shares		
–share options		-
Weighted average number or ordinary shares for the purpose of diluted (loss)/ earnings per share	**901,536**	901,536

7. ENTRUSTED LOAN RECEIVABLES

The Group entered into entrusted loan framework agreement on 21 March 2016 and 11 May 2016, pursuant to which the Group agreed to provide entrusted loan to Inspur Electronic Information Industry Co., Limited ("Inspur Electronic Information"), a fellow subsidiary of the Group, through a financial institution. The Group also entered into a supplementary agreement on 26 September 2016, pursuant to which the Group agreed to provide entrusted loans to Inspur Electronic Information. The principal of entrusted loan receivables amounted to HK$167,507,000 and HK$156,340,000 were unsecured, interest bearing at 4.35% per annum and matured in March and April 2017, respectively. As at 31 December 2016, interest receivables arising from the entrusted loan receivables were amounted to HK$1,943,000 and HK$1,152,000, respectively.

8. DIVIDEND

The Board of directors does not recommend the payment of a dividend for the six months ended 30 June 2017(six months ended 30 June 2016: nil).

9. TRADE AND BILLS AND OTHER RECEIVABLES

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

An aged analysis of trade receivables amounts due from fellow subsidiaries and ultimate holding company at the balance sheet date is as follows:

	30.6.2017 ***HK$'000***	31.12.2016 *HK$'000*
Trade and bills receivables		
0-30 days	**96,695**	97,110
31-60 days	**8,586**	10,118
61-90 days	**5,400**	4,051
91-120 days	**9,542**	4,114
121-180 days	**10,295**	8,675
Over 180 days	**37,452**	36,716
	167,970	160,784

	30.6.2017 ***HK$'000***	31.12.2016 *HK$'000*
Amounts due from fellow subsidiaries		
0-30 days	**48,946**	38,311
31-60 days	**70,160**	5,127
61-90 days	**1,642**	164
91-210 days	**2,443**	2,741
Over 210 days	**19,973**	12,116
	143,164	58,459

	30.6.2017 ***HK$'000***	31.12.2016 HK$'000
Amounts due from ultimate holding company		
0-30 days	**-**	295
31-60 days	**127**	-
61-90 days	**1,943**	-
Over 90 days	**79**	
	2,149	295

10. TRADE AND BILL AND OTHER PAYABLES

Average credit period taken for trade purchases is up to 30 to 120 days. The following is an aged analysis of trade payables and amount due to fellow subsidiaries and ultimate holding company for the purchase of goods and services at the reporting date:

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
Trade and bills payables		
0-30 days	**9,803**	55,032
31-60 days	**787**	3,624
61-90 days	**1,443**	3,633
Over 90 days	**79,245**	33,895
	91,278	96,184

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
Amounts due tofellow subsidiaries		
0-30 days	**3,479**	1,574
31-60 days	**526**	7,483
61-90 days	**2,629**	237
Over 90 days	**21,312**	18,561
	27,946	27,855

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
Amounts due to ultimate holding company		
0-30 days	**1,521**	10
31-60 days	**6**	-
61-90 days	**747**	-
Over 90 days	**531**	13,399
	2,805	13,409

11. SHARE CAPITAL

	Number of shares	
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017	**2,000,000**	20,000
Issued and fully paid:		
At 1 January 2017	**901,536**	9,015
At 30 June2017	**901,536**	9,015

All shares issued during the period rank pari passu with the then existing shares in all respects.

12. RELATED PARTY TRANSACTIONS

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:

		Six months ended	
		30.June.2017	30.June.2016
		HK$'000	*HK$'000*
	Note		
Supply Transactions	(i)	**11,015**	**6,654**
Selling Agency transactions			
(1) Aggregate transactions amount	(ii)	**189,666**	**127,189**
(2) The related commission amount		**1,257**	**1,259**
Purchase Transactions	(iii)	**9,967**	**5,402**
Common Services Transactions	(iv)	**3,353**	**6,172**
Leasing Services Transactions	(v)	**16,609**	**11,682**

Notes:

(i) The Group will supply Inspur group goods and service with reference to the market price.

(ii) The Group appoints the Inspur Group to act as selling agency in the sale of the products and services of the Group. In return, the Inspur Group will receive a commission of 1% or less of the total sale value of the products and services.

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

(iv) The Inspur Group shall provide Common Services for use the Group based on normal commercial terms through arm's length negotiation or on terms no less favorable than the terms available from independent third parties for provision of similar services.

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

Financial review

During the reporting period, the revenue of the Group recorded an increase of approximately 5.55%, and gross profit of the Group recorded an increase of approximately 0.79% as compared with last year. Loss attributable to owner of the company was of HK$12,635,000, declined by approximately 143.97% as compared with last year.

(1) Revenue

The Group recorded a revenue of HK$550,669,000 (2016: HK$521,703,000) representing an increase of 5.55% as compared with corresponding period of last year. The revenue of software development and solution was HK$411,772,000(2016: HK$359,647,000), representing an increase of 14.49% as compared with corresponding period of last year. The growth in revenue of software development and solution mainly comes from intelligent depot programs and solutions and software sale to large-scale enterprise management .The software outsourcing business amounted to HK$ 138,897,000(2016: HK$162,056,000), representing a decrease of 14.29% as compared with last corresponding period. The decline in revenue of this segment was because of the outsourcing orders from one major customer reducing substantially and new customers' orders failing to mark up for the losing.

(2) Gross profit margin

During the reporting period, gross profit of the Group was HK$154,053,000 (2016: HK$152,841,000), representing an increase of 0.79% as compared with corresponding period of last year, and gross profit margin was 27.98% (2016: 29.30%), slightly decrease 1.32%. Decrease in gross profit margin was mainly because the software outsourcing business is in adjustment.

(3) Selling and distribution cost and Administration Expense

During the reporting period, selling and distribution cost and administration expenses amounted to HK$243,157,000(2016: HK$226,839,000), representing an increase of 7.19% as compared with the last year. The increase was mainly due to R&D and market expansion, particularly R&D expenses in cloud computing service and marketing and explore in new products' sales channel.

(4) Other income and other gains and losses

During the period, the other incomes and other gains and losses amounted HK$61,282,000(2016: HK$58,918,000) recorded an increase of 4.01% as compared with last year. The reasons for change are：1） VAT refund from software sale amounted HKD23,084,000 representing 9.63% increase compared with the corresponding period of last year(2016:HKD21,056,000); 2) Rental income from investment property recorded HKD19,267,000 representing 64.93% increase compared with same corresponding period of 2016(2016:HKD11,682,000); and 3) the amount of HKD2,261,000 of government subsidies and grants was received and recognized as income, decrease 81.24% comparatively (2016: HKD12,054,000).

(5) Loss attributable to shareholders

During the reporting period, loss attributable to shareholders amounted to approximately HK$12,635,000 (2016: loss of HK$5,179,000). The main reasons were:1) the selling and distribution cost increased HKD7,041,000 comparatively, because of our aggressive market expansion and sales channel promotion;& 2) administration expenses and R&D costs increased HKD9,277,000 compared with corresponding period of last year.

Losses from business operation increased mainly because: 1) faced with the fierce market competition, in order to keep our revenue growth and our market shares for our management software, we input more resources in the R&D and marketing. Meanwhile, we aggressively expand our cloud service business although the revenue of this part is still in small scale; 2) our software outsourcing business is in poor performance and facing transition. As the orders from major customer are reducing, we actively explore to our domestic new customers and retain the talents for future orders expected in the second half.

Basic and diluted loss per share is HK1.40 cents (2016: loss per share of HK0.57cents).

(6) Sufficient working capital

As at 30 June 2017, shareholders' funds of the Group amounted to approximately HK$1,746,736,000 (31 December 2016: HKD1,734,331,000). Current assets were approximately HK$1,526,534,000, including cash and bank balances of HK$1,026,151,000, which were mainly bank deposits denominated in Renminbi. Current liabilities were HKD871,149,000, mainly comprised trade and bills payable, amount due to fellow subsidiaries, other payables and accrued expenses. The Group's current assets were approximately 1.75 times (31 December 2016: 1.79 times) over its current liabilities. The Group had no bank borrowings as at 30 June 2017 and 31 December 2016.

Employee information

At 30 June 2017, the Group had 3,162 employees. Total employee remuneration, including the Directors' fees and contributions to the Mandatory Provident Funds, amounted to approximately HK$293,425,000 for the period under review.

The Group determined the remuneration of its employees according to their performance and experience. In addition to basic salaries, discretionary bonus and share options may be granted to eligible employees with reference to the Group's results and the employee's individual performance. In addition, the Group has provided its employees with Mandatory Provident Funds and medical insurance coverage.

Charges on assets

As at 30 June 2017, bank deposits in the amount approximately HK$10,319,000 of the Group's assets was pledged (31December 2016: HK$18,449,000).

Foreign exchange exposure

The Group's sales and purchase were mainly denominated in US dollars and Renminbi. The Group did not use any derivative instruments to hedge against its currency exposures. The Directors believe that with its sound financial position, the Group is able to meet its foreign exchange liabilities as and when they become due.

BUSINESS REVIEW

During the reporting period, the Group conformed to the trend of Internet + and fully implemented the "data-centric" strategy to establish a wisdom enterprise of "interconnection, refinement and intelligence". By use of technologies as cloud computing, big data, Internet of Things and mobile internet, etc., we have accelerated the transition from software and service to cloud technology with inheritance and innovation, striving to become a leading manufacturer of enterprises' management software and cloud services in China.

During the reporting period, the Group grasps the opportunity of "enterprise clouding" and upgrades our Inspur ERP cloud to the Inspur Enterprise Cloud. In the lead of idea of internet, sharing and wisdom, we provide all-round cloud services including field cloud, industry cloud, SME cloud to help the enterprises to structure the "intelligent Brain". In 26th May, the Group launched the new generation product enterprise's cloud platform GS7.0, which based on hybrid cloud model, realize the broad links and help customers explore the business network. Facing the enterprises' market, we launched an Inspur enterprises' cloud nation tour and attracted a lot of enterprises' clients to participate. The nation tour covered more than 20 cities, such as Jinan, Changchun, Linyi, Zhengzhou, Wuhan, Xian, Chongqing etc. The Group kept our key directions focusing on hybrid model of cloud products, solutions and service to the Big scale enterprises. We hold numbers of promotion activities and symposiums covering several provinces and cities focus on the supervision of SOE assets, finance sharing, wisdom manufacturing, Inspur cloud-eye and wisdom site management etc.

I. Management Software and Related Services

1.Cloud Services

During the period, following the trend of industrial development, the Company continued adhering to the “professional leadership strategy” to focus on the deployed cloud service fields, increase the investments in R&D and speed up the development. We have obtained great achievements in cloud accounting, human resources cloud, coordination cloud, procurement cloud，Inspur cloud + and other aspects.

The Company focuses on the promotion of SME cloud business through self-developed R&D and setting up independent operation entities. In the March of 2017, we successfully held launching ceremony in the topic of “Inspur Cloud Accounting Easy”. Since launching in 2016, Inspur cloud accounting got positive customers’ attention. Until the end of this reporting period, the registered users are more than 180,000. In the future, the company will further upgrade users’ experience of cloud accounting, through realization of integration and wisdom of “bills, finance and taxation” to reflect the advantage of more efficient, more professional and more convenient and to help the SME build linkages with the professional entities and upgrade the enterprises’ management. Meanwhile, through cooperating with the all levels of government departments to encourage the SME carrying out public entrepreneurship and innovation, we promote our Inspur cloud accounting and further explore numbers of users.

Through the scenarios’ application, we focus on providing professional human resources cloud services for large and medium–sized enterprises. As closely linking to the market hot spots and outstanding management models as well as upgrading users’ experience of enterprises and customers’ terminals side, the company speeds up market promotion to enlarge its users’ scale.

Our e-procurement cloud have been recognized as the first brand name in the construction industry, as the function and stability further improved and the realization of full coverage of e-procurement model. In the future, the company will speed up on the R&D of next generation products and actively promote the new technology in the application of e-procurement in the construction industry.

The company formally published enterprise’s collaborative platform of “cloud +Wisdom”, including five functions such as mobile portal, digital work platform, digital collaboration platform, intelligent assistant and mobile open platform, to help enterprises’ customers shape new working model. Our typical customers are already formally online and daily PV is more than 150,000. In the future, we will use “cloud +” as the unified entrance, and further extend to more applications including mobile reporting, capital movement analysis, inventory scanning, project management and others applications.

2.Software and Data Service Business

In order to actively respond to the challenges of Internet + integration with traditional enterprises, the company upgraded the Inspur ERP to Inspur Enterprises’ Cloud and launched industry cloud solution focusing on the different features of industries around intelligent manufacturing, pharmaceutical, construction, food, transportation etc.

During the reporting period, the company further integrated R & D resources to optimize the company's core products, and has completed the development and officially released the finance cloud, procurement cloud, supply chain cloud, HRM cloud, collaborative cloud, analysis cloud, treasurer and capital cloud, intelligent manufacturing cloud and other core products. On May 26, the Group officially released a new generation cloud platform GS 7.0 in Beijing, which applied a new Internet style UI. GS7.0 based on a hybrid cloud model to achieve a wide range of connections to help customers break through the commercial network. GS7.0 core applications continue to expand, providing more than 20 role-oriented Dashboard, adding more than 60 spreadsheets and reporting center, supporting smooth upgrade; new-added capital settlement platform improves the integration of financial and economic sharing program and reconstructions accounting platform; supports the database to expand horizontally, improves the licensing model; introducing accounting electronic files and accounting information can be directly generated electronic files. IGO e-supermarket completed docking with Jingdong, Suning and other mainstream electricity business platform. Through the integration of multi-electric business platform, one-stop parity and procurement can be achieved and reduce the overall procurement costs. During the reporting period, the company further enhance the capacity of large data products, released Igis2.0, including Online online map service, 2D / 3D / mobile GIS development kit, which fully support the needs of GIS applications; new multi-dimensional GIS features are get the application and practice in the project of Zhengtong Big Data. Taking the opportunity of upgrading of information of national food industry, the Company provided solutions of intelligent grain products based on the Internet of Things and offered informatization integration services with respect to the grain competent departments and grain depot of large, middle-size, small and micro enterprises in different scale. In the report period, our intelligent grain solutions successfully signed contracts again with important projects such as Shandong Province Food Bureau and China Grain Reserve etc. With a deep understanding on the grain industry and the Internet of Things technology, the Company keeps its leading market share in the field of grain information. Future, through further corporation with our parterners and promotions, we will get more market shares.

In terms of delivery, the Company abided by the ideology of “customer orientated”. In the new and inadequate human resource areas, the company added local language staffs, through introduction of delivery managers, senior consultants, etc., to ensure that the progress of the projects achieve the plans. To achieve the same assessment objectives, we strengthened the target responsibility, and sales staff collaboration. The Company continued to deepen the project contract responsibility system, deepen the application of the project management system, comprehensively use the process review, monthly tracking, monthly management and other ways to improve customers’ satisfaction, to ensure that the company's products and service reputation. The company also organizes various forms of product and skills training, case sharing, facilitates the sharing of resources, facilitates the implementation of professionalization and certification results, adjusts the staffs’ remuneration structure, and contributes to the enthusiasm of the delivery staff. During the reporting period, the major delivery targets achieved satisfactory results.

II. Software Outsourcing Business

During the report period, the Group has maintained a close relationship with Microsoft, FITEC, Aspire, Shandong Unicom, meanwhile aggressively explored to other new strategic customers and to expand to new business. To explore a new round strategic corporation with Microsoft, we set up Inpsur- Microsoft strategic corporation. We promoted corporation with FITEC in cloud computing for its global unification project, which will help us in good foundation to promote in domestic, Asia-pacific and global in the second half of 2017. And it gradually enlarges our news business ratio in the cloud computing, large data, Internet of things, machine learning and others and helps to transform from software outsourcing business to the product, platform, cloud and large data etc. The company is in building intelligent business process management platform (iBPM), artificial intelligence analysis services (aiAnalytics), grid management platform and other products etc. Because the strategic business adjustment form our major customer, during the reporting period, the revenue from outsourcing business declined significantly compared with last corresponding period. We actively explore new customers such as telecom, general administration of custom, Link, Hairer, Hisense, F5 etc. On the other hand, we retained capable staffs and resigned poor performance staffs, through control costs to reduce the loss. With the completion of the transformation and adjustments, the performance of the outsourcing segment will be expected to be improved in the second half of the year.

Business Plan

In the second half of the 2017, the company will continue to implement the “data-centric” strategy. By focusing on core industry and core products, it will implement aggressive market expansion strategies to strengthen recruitment of distribution partners and direct sales staffs, further enlarge our sales teams in the key areas. The company will increase inputs in R&D and introduction of talents. Through improving our SME purchase-sale-inventory, cloud ERP users’ experience and breaking through SME market, the company will be a leading, professional internet finance-tax cloud service manufacturer. By the means of keeping international corporation and self-development R&D, the company will have ability to provide more comprehensive enterprises’ cloud solutions to enhance our core products’ competition. It will realize the goal of “comprehensive cloud of traditional software business” and “great-leap-forward development of cloud services” and become the “wind indicator” and “enabler” leading the digital transformation of China’s enterprises.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed shares.

COMPETING INTEREST

During the six months ended 30 June 2017, none of the directors, chief executive, initial management shareholders or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interests in a business which competes with or may compete with the business of the Group.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 10 November 2008.
On 10 December 2010, a total of 12,020,000 share options were grant to certain employees and directors of the group under the option scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$3.41 per share. On 16 July 2015, a total of 40,000,000 share options were grant to certain employees and directors of the group under the option scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$1.71 per share. On 13 May 2016, a total of 30,000,000 share options were grant to certain employees and directors of the group under the option scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$1.34 per share. On 4 May 2017, a total of 20,000,000 share options were grant to certain employees and directors of the group under the option scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK$1.63 per share.
As at 30 June 2017, the numbers of shares available for issue and remained outstanding under the option scheme are 67,020,000shares.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive directors, Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. DingXiangqian. Mr. Wong Lit Chor, Alexis is the chairman of the audit committee.

The audit committee has reviewed the report and has provided advice and comments thereon.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of Listing Rules for Main Board throughout the period ended 30 June 2017, save as：(a) Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual Mr. Wang Xingshan is both the Chairman and CEO of the Company. This structure does not comply with code provision A.2.1 of the CG Code. The Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Company's business strategies and maximizes the effectiveness of its operation. (b) Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Partial Independent non-executive Directors and other non-executive director were unable to attend the annual general meeting as they were obliged to be away for business trips. The Company will improve its meeting scheduling and arrangement in order to ensure full compliance with Code A.6.7 in future.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model code for Securities Transactions by directors of Listing Issuers ("Model Code") contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors and has been confirmed that all directors have complied with the Model Code during the six months ended 30 June 2017

By Order of the Board

Inspur International Limited

Wang Xingshan

Chairman

Hong Kong, 24 July 2017

As at the date of this announcement, the Board comprised Mr. Wang Xingshan and Mr. Jin Xiaozhou,Joe as executive Directors; Mr.Samuel Y.Shen and Mr. Dong Hailong as non-executive Directors; Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. DingXiangqian as independent non-executive Directors.