INSPUR INTERNATIONAL LIMITED
浪潮國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "**Board**") of Inspur International Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 as follows:

Financial highlights for the year ended 31 December 2017

— Turnover increased by approximately 13.31% compared with 2016 to approximately HK$1,317,951,000.

— Turnover of Enterprise Resource Management("ERM") increased more than 25.64% compared with 2016.

— Profit attributable to owners of the Company during the year was approximately HK$113,051,000, increased by approximately 88.75% compared with HK$59,893,000 in 2016.

— Basic earnings per share attributable to owners of the Company during the year was approximately HK12.30 cents, increased by approximately 85.24% compared with HK6.64 cents in 2016.

— The Board recommends the payment of a final dividend HK$0.03 per share in respect of the year ended 31 December 2017 (2016: HK$0.03).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	*2017* *HK$'000*	*2016* *HK$'000*
Revenue	2	**1,317,951**	1,163,170
Cost of sales		**(886,279)**	(821,009)
Gross profit		**431,672**	342,161
Other income	4	**136,334**	155,199
Other gains and losses, net	4	**36**	544
Administrative expenses		**(298,594)**	(277,353)
Selling and distribution expenses		**(200,955)**	(182,653)
Change in fair value of investment properties		**18,016**	20,677
Share of profit of an associate		**37,849**	31,485
Share of profit (loss) of a joint venture		**2,772**	(2,323)
Profit before tax		**127,130**	87,737
Income tax expenses	6	**(17,561)**	(27,163)
Profit for the year	5	**109,569**	60,574
Profit for the year attributable to owners of the Company		**113,051**	59,893
(Loss) profit for the year attributable to non-controlling interests		**(3,482)**	681
Profit for the year		**109,569**	60,574
Earnings per share	7		
- Basic		**HK12.30 cents**	HK6.64 cents
- Diluted		**HK12.20 cents**	HK6.63 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	*2016*
	HK$'000	*HK$'000*
Profit for the year	**109,569**	60,574
Other comprehensive income (expense):		
Items that will not be reclassified to profit or loss:		
Gain on revaluation upon transfer from property, plant and equipment to investment properties	**1,688**	33,845
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties	**(390)**	(7,653)
Share of other comprehensive income (expense) of an associate and a joint venture	**20,953**	(32,409)
Exchange differences arising on translation to presentation currency	**126,300**	(110,050)
	148,551	(116,267)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(7,207)**	6,804
	(7,207)	6,804
Other comprehensive income (expense) for the year, net of tax	**141,344**	(109,463)
Total comprehensive income (expense) for the year	**250,913**	(48,889)
Total comprehensive income (expense) for the year attributable to:		
- Owners of the Company	**254,217**	(49,357)
- Non-controlling interests	**(3,304)**	468
	250,913	(48,889)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	*2017* *HK$'000*	*2016* *HK$'000*
Non-current assets			
Property, plant and equipment		**323,331**	312,869
Investment properties		**567,920**	506,568
Prepaid lease payments		**34,017**	32,447
Available-for-sale investment		**21,582**	20,067
Interest in an associate		**150,116**	102,926
Interest in a joint venture		**145,558**	131,174
		1,242,524	1,106,051
Current assets			
Inventories		**12,586**	8,294
Trade and bills receivables	9	**159,209**	160,784
Prepaid lease payments		**880**	818
Prepayments, deposits and other receivables		**73,720**	78,806
Amounts due from customers for contract work		**86,283**	46,284
Entrusted loan receivables		-	326,942
Amount due from ultimate holding company		**1,429**	295
Amounts due from fellow subsidiaries		**115,106**	58,459
Pledged bank deposits		**14,126**	18,449
Bank balances and cash		**1,350,777**	852,975
		1,814,116	1,552,106

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTE	*2017* *HK$'000*	*2016* *HK$'000*
Current liabilities			
Trade and bills payables	10	**114,589**	96,184
Other payables, deposits received and accrued expenses		**439,642**	479,857
Amounts due to customers for contract work		**242,498**	188,819
Amount due to ultimate holding company		**2,952**	13,409
Amounts due to fellow subsidiaries		**27,349**	27,855
Deferred income - government grants		**70,280**	49,753
Taxation payable		**20,174**	12,852
		917,484	868,729
Net current assets		**896,632**	683,377
Total assets less current liabilities		**2,139,156**	1,789,428
Non-current liabilities			
Deferred income - government grants		**5,699**	12,467
Deferred tax liabilities		**52,171**	42,370
		57,870	54,837
		2,081,286	1,734,591
Capital and reserves			
Share capital		**9,527**	9,015
Reserves		**2,067,510**	1,725,316
Equity attributable to owners of the Company		**2,077,037**	1,734,331
Non-controlling interests		**4,249**	260
Total equity		**2,081,286**	1,734,591

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

APPLICATION OF NEW AND REVISED HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10	Sale or Contribution of Assets between an Investor and

and HKAS 28	its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to HKFRSs and interpretations mentioned above, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. REVENUE

Revenue represents revenue arising on software development contracts and software outsourcing contracts. An analysis of the Group's revenue for the year is as follows:

	2017	*2016*
	HK$'000	*HK$'000*
Revenue from software development contracts		
- sales of IT peripherals and software	**206,600**	201,732
- provision of software development service	**834,716**	627,107
Revenue from software outsourcing contracts	**276,635**	334,331
	1,317,951	1,163,170

3. SEGMENT INFORMATION

The Group's reportable and operating segments are as follows:

1. Enterprise Resource Management ("ERM") related business
2. Software outsourcing business

ERM related business segment was formerly known as Software Development and Solution segment. The chief operating decision maker considers that categorising the segment as ERM related business better reflects the nature of the Group's current service offerings.

Segment revenue and results

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

For the year ended 31 December 2017

	ERM related business HK$'000	*Software outsourcing business HK$'000*	*Consolidated HK$'000*
Segment revenue	**1,041,316**	**276,635**	**1,317,951**
Segment profit (loss)	**124,228**	**(23,352)**	**100,876**
Other income, gains and losses, net			**42,430**
Change in fair value of investment properties			**18,016**
Share of profit of an associate			**37,849**
Share of profit of a joint venture			**2,772**
Share based payments			**(33,669)**
Amortisation of prepaid lease payments			**(845)**
Central administrative costs			**(40,299)**
Profit before tax			**127,130**

For the year ended 31 December 2016

	ERM related business HK$'000	*Software outsourcing business HK$'000*	*Consolidated HK$'000*
Segment revenue	828,839	334,331	1,163,170
Segment profit (loss)	62,821	(17,160)	45,661
Other income, gains and losses, net			59,058
Change in fair value of investment properties			20,677
Share of profit of an associate			31,485
Share of loss of a joint venture			(2,323)
Share based payments			(21,147)
Amortisation of prepaid lease payments			(856)
Central administrative costs			(44,818)
Profit before tax			87,737

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

Segment assets and liabilities-continued

The following is an analysis of the Group's assets and liabilities by operating and reportable segment.

For the year ended 31 December 2017

	ERM related business	*Software outsourcing business*	*Consolidated*
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	**481,721**	**118,416**	**600,137**
Property, plant and equipment			**297,189**
Investment properties			**567,920**
Prepaid lease payments			**34,897**
Interest in an associate			**150,116**
Interest in a joint venture			**145,558**
Bank balances and cash			**1,253,215**
Other unallocated assets			**7,608**
Consolidated total assets			**3,056,640**
LIABILITIES			
Segment liabilities	**819,697**	**80,547**	**900,244**
Deferred tax liabilities			**50,062**
Other unallocated liabilities			**25,048**
Consolidated total liabilities			**975,354**

Segment assets and liabilities-continued

For the year ended 31 December 2016	*ERM related business*	*Software outsourcing business*	*Consolidated*
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	636,621	118,963	755,584
Property, plant and equipment			290,646
Investment properties			506,568
Prepaid lease payments			33,265
Interest in an associate			102,926
Interest in a joint venture			131,174
Entrusted loan receivables			326,942
Bank balances and cash			491,250
Other unallocated assets			19,802
Consolidated total assets			2,658,157
LIABILITIES			
Segment liabilities	699,512	89,624	789,136
Deferred tax liabilities			40,410
Other unallocated liabilities			94,020
Consolidated total liabilities			923,566

Other segment information

For the year ended 31 December 2017

Amounts included in the measure of segment profit or segment assets:

	ERM related business	Software outsourcing business	Total	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions to property, plant and equipment	**15,731**	**902**	**16,633**	**442**	**17,075**
Depreciation of property, plant and equipment	**7,894**	**2,381**	**10,275**	**15,452**	**25,727**
Allowance for bad and doubtful trade and other debts	**10,362**	**103**	**10,465**	**-**	**10,465**
Impairment loss on amounts due from customers for contract work	**1,015**	**-**	**1,015**	**-**	**1,015**

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets and not allocated to any operating and reportable segment:

	HK$'000
Interest in an associate	**150,116**
Interest in a joint venture	**145,558**
Share of profit of an associate	**37,849**
Share of profit of a joint venture	**2,772**

For the year ended 31 December 2016

Amounts included in the measure of segment profit or segment assets:

	ERM related business HK$'000	Software outsourcing business HK$'000	Total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	13,370	2,519	15,889	2,229	18,118
Depreciation of property, plant and equipment	6,638	2,334	8,972	20,589	29,561
Allowance for bad and doubtful trade and other debts	6,035	-	6,035	-	6,035
Reversal of allowance for bad and doubtful debts	(13,768)	-	(13,768)	-	(13,768)
Impairment loss on amounts due from customers for contract work	8,954	-	8,954	-	8,954

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets and not allocated to any operating and reportable segment:

	HK$'000
Interest in an associate	102,926
Interest in a joint venture	131,174
Share of profit of an associate	31,485
Share of loss of a joint venture	(2,323)

Geographical information

The Group's operations are currently carried out in the People's Republic of China, the country of domicile except for some services rendered by the provision of software outsourcing segment which are located in other regions.

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

	Revenue from external customers		Non-current assets*	
	2017	2016	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Country of domicile				
- Mainland China	1,156,974	950,955	1,187,186	1,054,319
- Hong Kong	-	-	32,219	29,543
	1,156,974	950,955	1,219,405	1,083,862
Others	160,977	212,215	1,537	2,122
	1,317,951	1,163,170	1,220,942	1,085,984

* Non-current assets excluded those relating to available-for-sale investment.

Information about major customers

Continuing operations

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A[1]	N/A[2]	177,147

[1] Revenue was generated from software outsourcing segment.
[2] The relevant amount in 2017 is less than 10% of the total sales of the Group.

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2017	*2016*
	HK$'000	*HK$'000*
Other income:		
Interest income on bank deposits	**22,577**	16,091
Interest income on entrusted loan receivables	**4,036**	10,751
Value added tax refund (Note a)	**61,506**	61,350
Government subsidies and grants (Note b)	**9,667**	31,407
Dividend income from available-for-sale investment	**1,314**	2,861
Rental income and management fee	**37,130**	32,487
Others	**104**	252
	136,334	155,199
Other gains and losses, net:		
Net foreign exchange (loss) gain	**(174)**	532
Net gain on disposal and written off of property, plant and equipment	**210**	12
	36	544

Notes:

(a) Inspur (Shandong) Electronics Information Company Limited ("Inspur Shandong Electronics") and Inspur Group Shandong Genersoft Incorporation ("Inspur Genersoft") are engaged in the business of distribution of self-developed and produced software. Under the current PRC tax regulation, it is entitled to a refund of VAT paid for sales of self-developed software in the PRC.

(b) For the year ended 31 December 2017, income of approximately HK$9,321,000 (2016: HK$3,309,000) represents the subsidies from the relevant government authorities for the purpose of encouraging the development of the group entities engaged in new and high technology sector. The subsidies received are in substance a kind of immediate financial support to the group entities with no future related costs and are recognised as income when the approval of the relevant government authority has been obtained. There are no other conditions attached to these subsidies.

For the year ended 31 December 2017, income of approximately HK$346,000 (2016: HK$28,098,000) represents the grants from the relevant government authorities for funding certain development projects undertaken by the group entities. The grants received are recognised as income when i) the related projects have been completed, ii) the evaluation of the project results by the relevant government authority has been completed and iii) no other future conditions are required to fulfil by the Group.

5. PROFIT FOR THE YEAR

	2017	*2016*
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,462**	1,800
Allowance for doubtful trade and other debts	**10,465**	6,035
Reversal of allowance for doubtful trade and other debts	-	(13,768)
Impairment loss on amounts due from customers for contract work	**1,015**	8,954
Research and development costs recognised as expense	**61,677**	111,328
Cost of inventories recognised as expense in cost of sales	**180,240**	141,605
Depreciation for property, plant and equipment	**25,727**	29,561
Change in fair value of investment properties	**(18,016)**	(20,677)
Amortisation of prepaid lease payments	**845**	856
Directors' remuneration	**5,841**	5,035
Other staff costs		
Salaries and other benefits	**546,668**	507,989
Share based payments	**30,758**	18,948
Retirement benefits scheme contributions	**96,982**	105,692
	680,249	637,664
Operating lease rentals in respect of office premises and staff quarters	**25,267**	15,970

6. INCOME TAX EXPENSES

	2017	*2016*
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**10,609**	11,127
Underprovision in prior years:		
EIT	-	4,143
Deferred taxation	**6,952**	11,893
	17,561	27,163

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for Hong Kong profits tax has been made in the consolidated financial statements in both years as there are no assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Inspur Genersoft.

Pursuant to the Notice of the Ministry of Industry and Information Technology, the Ministry of Finance, the State Taxation Administration and National Development Reform Commission on Relevant Issues Concerning the Preferential Policies on Enterprise Income Tax of Software and Integrated Circuit Industry ("Cai Shui 2016 No. 49") and the Notice of the Ministry of Finance and the State Taxation Administration on Further Encouraging the Development of EIT Policies for the Software Industry and Integrated Circuit Industry ("Cai Shui 2012 No. 27"), Inspur Genersoft is designated as a qualified software enterprise and therefore entitled to apply a reduced tax rate of 10% subject to annual approval. As a result, Inspur Genersoft applies a reduced tax rate of 10% for the year ended 31 December 2017.

7. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Earnings		
Profit for the year attributable to the owners of the Company	**113,051**	59,893

	2017 '000	2016 '000
Number of shares		
Number of ordinary shares for the purpose of basic earning per share	**918,837**	901,536
Effect of dilutive potential ordinary shares arising from the outstanding share options	**7,837**	1,462
Weighted average number of ordinary shares for the purpose of dilutive earning per share	**926,674**	902,998

The computation of diluted earnings per share for the year ended 31 December 2017 did not assume the exercise of the Company's share options granted on 10 December 2010, and the computation of diluted earnings per share for the year ended 31 December 2016 did not assume the exercise of the Company's share options granted on 10 December 2010 and 16 July 2015, since the exercise prices of those share options were higher than the average market price for shares during the relevant years.

8. DIVIDEND

	2017	*2016*
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year: 2016 final dividend - HK$0.03 (2016: 2015 final dividend - HK$0.03) per ordinary share	**27,046**	27,046

Subsequent to the end of the reporting period, a final dividend of HK$0.03 in respect of the year ended 31 December 2017 (2016: final dividend of HK$0.03 in respect of the year ended 31 December 2016) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

	2017	*2016*
	HK$'000	*HK$'000*
Dividend proposed subsequent to the end of the reporting period		
Proposed final dividend for 2017 of HK$0.03 (2016: HK$0.03) per ordinary share on 952,736,000 (2016: 901,536,000) shares	**28,582**	27,046

9. TRADE AND BILLS RECEIVABLES

The Group allows a credit period of 30 to 210 days (2016: 30 to 210 days) to its customers. The following is an aged analysis of trade and bills receivables net of allowance for bad and doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2017	*2016*
	HK$'000	*HK$'000*
0 to 30 days	**108,843**	97,110
31 to 60 days	**19,641**	10,118
61 to 90 days	**4,110**	4,051
91 to 120 days	**12,718**	4,114
121 to 180 days	**5,768**	8,675
Over 180 days	**8,129**	36,716
	159,209	160,784

10. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables for the purchase of goods and services rendered presented based on the invoice date at the end of the reporting period.

	2017	*2016*
	HK$'000	*HK$'000*
Trade and bills payables		
0 - 30 days	**29,102**	55,032
31 - 60 days	**10,398**	3,624
61 - 90 days	**7,307**	3,633
Over 90 days	**67,782**	33,895
	114,589	96,184

FINANCIAL REVIEW

During the year ended 31 December 2017, the revenue of the Group recorded an increase of approximately 13.31% as compared with last year, gross profit of the Group recorded an increase of approximately 26.16% as compared with last year. Profit attributable to owners of the Company during the year was approximately HK$113,051,000 increased by approximately 88.75% as compared with last year.

(1) Revenue from Enterprise Resource Management increased sharply

The Group recorded a revenue of HK$1,317,951,000 (2016:HK$1,163,170,000) representing an increase of 13.31% as compared with last year. The revenue of Enterprise Resource Management for the year was HK$1,041,316,000 (2016:HK$828,839,000), representing an increase of 25.64% as compared with last year. On the other hand, the software outsourcing business was HK$276,635,000 (2016: HK$334,331,000), representing a decrease of 17.26% as compared with last year.

(2) Gross profit from operations increased sharply

Gross profit of the Group was HK$431,672,000 for the year (2016: HK$342,161,000), representing an increase of 26.16% as compared with last year. The Group's gross profit margin was 32.75 % (2016: 29.42%). The year-to-year increase in gross profit margin was mainly due to improvements in product standardization and operation in the ERM business.

(3) Selling and distribution expenses and administrative expenses under effective control

During the year, selling and distribution expenses and administrative expenses amounted to HK$499,549,000 (2016: HK$460,006,000), representing an increase of 8.60% as compared with last year. The expense increasing is mainly due to cost generated from adding new maketing staff. In particular, the overall staff cost of the Group has increased.

(4) Other incomes and other gains and losses

During the year, the other incomes and other gains and losses amounted to HK$136,370,000 (2016: HK$155,743,000) meaning a decrease of 12.44% as compared with last year mainly due to: 1) an amount of HK$9,667,000(2016:HK$31,407,000) from government subsidies and grants were received and recognized as income in current year, which represented an decrease of 69.22% as compared with last year; 2) Rental income and management fee from investment property recorded HK$37,130,000 (2016:HK$32,487,000) and showed an increase compared with same income of 2016.

(5) Profit attributable to owners of the Company increased sharply

Net profit attributable to owners of the Company for the year was approximately HK$113,051,000 (2016: HK$59,893,000), representing a significant improvement as compared with last year. Main reasons: (1) Despite facing fierce market competition, the company's main management software business continued to grow steadily. The growth rate of ERM business revenue and gross profits were higher than the expense growth rate; (2) Although software outsourcing business resulted in a decrease in segment revenue and a decrease in gross profit due to business transformation, the increase in gross profit from ERM business offset the decrease in outsourcing business.

Basic earnings per share were HK12.30 cents (2016: HK6.64 cents)and diluted earnings per share were HK12.20 cents (2016: HK6.63 cents).

(6) Financial resources and liquidity

As at 31 December 2017, equity attributable to owners of the Company amounted to HK$2,077,037,000 (at 31 December 2016: HK$1,734,331,000). Current assets amounted to HK$1,814,116,000 of which HK$1,350,777,000 were bank deposits and cash balances which were mainly denominated in Renminbi.

Current liabilities, including trade and bills payables, other payables and accrued expenses amounted to HK$917,484,000. The Group's current assets were around 1.98 times over its current liabilities (31 December 2016: 1.79 times).

As at 31 December 2017 and 31 December 2016, the Group had no bank borrowings.

FOREIGN EXCHANGE EXPOSURE

All of the Group's purchase and sales are mainly denominated in United States Dollars and Renminbi. The Group has not used any derivative instrument 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.

CAPTIAL STRUCTURE

The Group finances its operations mainly from shareholder equity, internal generated funds and operation results in current year.

FINAL DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of HK$ 0.03 in respect of the year ended 31 December 2017 (2016: final dividend of HK$0.03 in respect of the year ended 31 December 2016) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting).

EMPLOYEE INFORMATION

As at 31 December 2017, the Group had 3,763 employees.
Total employee remuneration, including directors' remuneration and mandatory provident fund contributions amounted to approximately HK$680,249,000.
According to the comprehensive remuneration policy, which was formulated by the Group and reviewed by the management, employees are remunerated based on their performance and experience. On top of basic salaries, discretionary bonus and share options may be granted to eligible employees with reference to the Group's and the employee's performance. In addition, the Group provides mandatory provident fund, medical and insurance schemes for employees. The Group also offers continuous education and training programs to the management and other employees to enhance their skills and knowledge.

On 1 December 2017, 30 million options were granted to senior management and employees under 2008 Share Option Scheme,to encourage our staff create and share value with shareholders.By end of the year 9,000,000 options were vested but not exercised.

CHARGES ON ASSETS

As at 31 December 2017, approximate HK$14,126,000 of the Group's bank deposits was pledged (31 December 2016: approximate HK$18,449,000).

BUSINESS REVIEW

During the reporting period, the Group has caught up with the strong growth trend of the enterprises' digital transformation needs and fully implemented the "data-centric" strategy. Through the use of new technologies of cloud computing, big data, Internet of Things and mobile internet etc., and taking Inspur Enterprise Cloud as the new momentum of enterprise transformation and upgrading, the Group aims to help customers build smart companies, and transforms itself into a cloud and data services provider, thus becoming the leading manufacturer of ERM and cloud services vendor in China.

I. ERM Related Business

1. Cloud service business

In the era of digital economy, traditional industries are faced with transformation and upgrading. New technologies, new industries, new formats, and new business models are emerging. IT technology represented by cloud computing has become an important driving force for the replacement of old growth driver with new one. The Ministry of Industry and Information Technology released the "Three-year Action Plan for the Development of Cloud Computing." Many provinces and cities such as Zhejiang, have started the new business model of moving company's businesses and operations onto the cloud.

During the reporting period, the Group has grasped the opportunity of " Moving business onto cloud" initiative and upgrades its Inspur ERP cloud to the Inspur Enterprise Cloud. In the middle of the year, the Group launched the cloud platform GS7.0 in Beijing, which combined with Inspur Enterprise Cloud series products, such as cloud accounting, human resource cloud, iGo cloud, and big data analysis cloud. All are guided by the concept of interconnection, sharing, intelligence, and the aim of building "smart brain" for enterprises. Targeting the enterprises' market, since July, we launched the Inspur Enterprises Cloud national tour covering more than 20 cities, such as Guangzhou, Tianjing, Hefei, Zhengzhou, Linyi, Yantai，Haerbing etc., and attracted lots of enterprise clients. In the medium-sized enterprise market, 25th November, we launched Inspur PS365 Cloud. In SME market, we rolled out accounting cloud and supply chain cloud. In the reporting period, products of Inspur Group have covered the full spectrum from macro, medium, to SME markets. With Inspur high-quality "cloud engine", we empowers our business partners and customers to become more competitive in the cloud era. In the period, we put more attention on the business partners. In 24th of April, our national channel partners' conference was held, during which we released our aggressive market strategy for SMEs market: We will reconstruct the channel system, fully unleash the channel potential, and help the enterprises to move business onto cloud.

The company has further expanded the application scenarios of human resource cloud and improved user experience. The company has continued to optimize multiple application scenarios such as human resource systems and remuneration systems, and enhanced its position to provide professional human resources cloud service solutions for large and medium-sized enterprises. During the reporting period, the company formally released cloud products for attendance and recruitment. Its core architectural capabilities are far ahead of its rivals. In the future, the company will further accelerate marketing, closely follow market hotspots as well as advanced management models, and enhance the customer experience on both enterprise user end as well as individual user end, to further improve the quality of each user application and expand user basis. In the reporting period, we signed contracts with several typical key customers, such as China Railway Construction, Guangdong Utrust, Canton Tower, China Energy Engineering Corporation, Lanzhou Rail Transit, Linyi Shandong Energy Mining Group, PowerChina Roadbridge Group etc. , and got more than 800,000 registered users and over 1.27 million daily page views.

The company's procurement cloud products (iGo) has continued to improve both in terms of functionality and stability, and now it has covered all procurement models. In the construction industry, it has become the top 1 choice in e-procurement platform. In the future, the company will continue to accelerate R&D for next-generation products and to use the most advanced technologies to expand application areas of procurement clouds, especially in manufacturing industry. During the reporting period, we have successfully signed contracts with lots of typical key customers such as China Electronics Technology Group Corp，Jiangsu Jinglin Sci&Tech Group, Shandong Lianmeng Chemical Group, Weixing Group, Luban (Beijing) Ecomm Technology Ltd etc.

During the reporting period, the Company formally rolled out enterprise collaborative platform of “Cloud + Intelligence”, which includes five functions such as mobile portal, digital work platform, digital collaboration platform, intelligent assistant and open mobile platform, to help enterprise customers reshape their working models. The platform of “Cloud + Intelligence” provides mobile application services in the public cloud model, serving as a unified portal for employee collaboration and mobile applications. It has gained numerous favorable feedback from market with its integration with GS, PS, and many third-party business applications, and also many intelligent features such as natural language-based conversational platforms. After its launching, this platform has been successful deployed by many major clients such as China International Engineering Consulting Corp, Shanghai Aircraft Design and Research Institute, Chengde Heating Group etc. , with more than 100,000 registered users and over 550,000 daily page views.

Since Inspur launched accounting cloud for small enterprises at the end of 2016, with its designing idea being “simple, mobile, and intelligent” and also feature of “available-to-work” at anytime and anywhere, Inspur accounting cloud has helped numerous SMEs to improve greatly on efficiency and also saved them at least 60% of repetitive tasks, thus making it a great success among customers. At the end of the reporting period, registered users have exceeded 400,000. In the future, the company will further improve its user experience, continuously enhance product functions, and with its great capability of connecting each nodes, to help SMEs connect easily with banks and accounting agency companies, to clear out barriers in green channels for online credit and online financing, solving the financing problems for SMEs. In January 2018, at the 6th China SMEs Service Conference held by the Ministry of Industry and Information Technology Development and Promotion Center of the Ministry of Industry and Information Technology, Inspur accounting cloud got selected successfully as the “2017 China SME First Choice of Service Provider”.

2. Software and Data Service Business

The company has fully utilized its product advantages in the areas of group control and financial sharing to help large-scale group enterprises making innovations in their management accounting. During the reporting period, the Group’s management software continued to maintain a substantial growth, and the amount of contract signed increased by 49% year-on-year. To help the group companies achieve financial management transformation, in April of 2017, at the Shanghai National Accounting Institute, Inspur hosted the group's corporate finance shared service summit under the theme of “New Finance and Full Shared Service” and proposed the concept of “new finance shared service”. In October 2017, China’s first university FSSC experience center, which was jointly established by Inspur and Xi'an Eurasia Academy, was formally released to jointly promote the research and practice of management accounting in university teaching. In November, 2017, Inspur hosted the "Big Data & Management Accounting Innovation" forum jointly with the Shanghai National Accounting Institute, ICAEW, CGMA, ACCA, and IMA in Shanghai. In this forum, Inspur, together with the Shanghai National Accounting Institute and ICAEW, jointly released the report “Application of Big Data in Chinese Business” to help enterprises tap into data’s value.

Seizing the opportunity of national IT upgrade trend in the grain sector, the company provided total solution and product for intelligent grain management based on IoT, providing services to corresponding departments and grain depots at all levels and for all sizes. During the reporting period, the company has successfully signed contracts again with many important customers to develop for them intelligent grain solutions, including Sinograin, State Administration of Grain, Shandong Grain Bureau and also signed important projects for grain management IT systems in provinces like Henan, Anhui and Hunan. With a deep understanding in grain sector and advanced IoT usage, the Company maintains a leading market share in the field of grain sector IT system. In the future, through further corporation as well as joint promotion with our partners, we will set our mind on gaining even more market share.

In terms of delivery and on-site implementation, the Group has always adhered to the concept of "customer-centric" and worked on improving customer satisfaction through various measures. The Group has continuously improved the layout of regional delivery centers, brought in local implementation personnel, and actively recruited senior experienced project managers, senior consultants, and ensure the on-site implementation is fairly standardized and project schedule is well met according to contract. During the reporting period, customer satisfaction surveys and customer callback mechanisms were established to ensure excellent product quality and service reputation. During the reporting period, all key delivery indicators have been achieved with satisfactory results.

II. Software Outsourcing Business

During the reporting period, due to the adjustment in market strategy of some major customers' businesses, the revenue of outsourcing business showed a year-on-year decrease. The outsourcing business faced difficulties in business transformation and expansion of new customers. We have continuously tapped into the core business layout of key customers such as Microsoft, Furukawa Electric, and China Mobile Aspire, and also added new customers such as Haier, and other new projects. Furthermore, we have effectively promoted cooperation with Furukawa Electric in areas of cloud computing, by assisting it to unify its global operations. This Furukawa project has helped the company to lay a solid foundation for future expansion in China, Asia Pacific or even the rest of the world.

In the future, the company will continue its business transformation, add more service methods, innovate service content, expand service scope, acquire more market share by adding new outsourcing business, and transform our software outsourcing business model towards “product, platform, cloud and big data” in all aspects. The company will strive to fulfill the transformation of traditional outsourcing service model to an advanced cloud-based IT service model, making more contributions to company’s performance.

BUSINESS PLAN

In the view of the Group, the digital transformation of enterprises should be based on the concept of “Interconnection, Sharing and Intelligence”. Based on a clear digital business strategy and direction, surrounding its two major driving forces of “Cloud” and “Data”, the company will rely on “ERM evolution” as the growth pillar, help customers build their own intelligent "Corporate brain" and promote enterprise management to be more easy to share, precise, visual, and intelligent.

In 2018, the Group will continue to implement the “Data-centric” strategy and implement an aggressive market expansion strategy by focusing on the industry and core products. The Group will increase the investment in R&D and bring in more high-end talents, accelerate the speed of product release designed for partners, gain more market share in SMEs management software market, and increase our overall product market presence. Meanwhile based on the ERM business, we will develop more IOT and big data analysis products and build industrial IOT platform. Convince large-scale enterprises to carry out digital transformation to serve multi-level corporate subsidiaries and upstream and downstream of the industrial chain. We will unite our business partners to establish industrial Internet ecosystem and promote SME cloudization.Next year, through joint venture and cooperation, and also independent R&D, the company will see a more comprehensive enterprise cloud service and product layout, thus achieving the goal of " Traditional software business reshaped by cloud" and "great-leap-forward development of cloud service."

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares during the year.

CODE ON COPRPORATE GOVERNANCE PRACTICES

The Group has complied with the applicable code provisions set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 of Listing Rules for Main Board throughout the period ended 31 December 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 Directors 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") set out in Appendix 10 of Main Board Listing Rule as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code throughout the period ended 31 December 2017.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2017, including the accounting principles and practices adopted by the Group, and is of the opinion that the preparation of such results comply with applicable accounting standards and requirements, and that adequate disclosures have been made.

CLOSURE OF REGISTER OF MEMBERS

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

(i) The register of members will be closed from 7 June 2018 to 8 June 2018 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17 Floor room 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 6 June 2018.

(ii) The register of members will be closed from 14 June 2018 to 15 June 2018 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17 Floor room 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 13 June 2018.

By Order of the Board
Inspur International Limited
Wang Xingshan
Chairman

Hong Kong, 26 March 2018

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