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 2018

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 2018 as follows:

Financial highlights for the year ended 31 December 2018

— Turnover increased by approximately 24.3% compared with 2017 to approximately HK$2,442,616,000.

— Turnover of Management Software and Cloud Services increased by approximately 22.3% compared with 2017 to approximately HK$2,107,522,000.

— Profit attributable to owners of the Company during the year was approximately HK$324,030,000, increased by approximately 132.8% compared with HK$139,201,000 in 2017.

— Basic earnings per share attributable to owners of the Company during the year were approximately 29.09 HK cents, increased by approximately 121.2% compared with 13.15 HK cents in 2017.

— The Board recommends the payment of a final dividend HK$0.04 per share of the year ended 31 December 2018, increased by approximately 33.3% compared with HK$ in 2017. (2017: HK$0.03).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018**	2017
		HK$'000	*HK$'000*
			(Restated)
Revenue	2	**2,442,616**	1,965,150
Cost of sales		**(1,503,852)**	(1,268,080)
Gross profit		**938,764**	697,070
Other income	4	**190,493**	172,099
Other gains and losses	4	**5,964**	8
Impairment losses, net of reversal		**(7,235)**	—
Administrative expenses		**(530,340)**	(473,008)
Selling and distribution expenses		**(381,565)**	(265,367)
Financial costs		**(13,743)**	(5,275)
Change in fair value of investment properties		**12,336**	18,016
Share of profit of an associate		**191,287**	37,849
Share of profit (loss) of a joint venture		**(42,842)**	2,772
Profit before tax		**363,119**	184,164
Income tax expenses	6	**(18,672)**	(23,267)
Profit for the year	5	**344,447**	160,897
Profit attributable to owners of the Company		**324,030**	139,201
Profit for the year attributable to non-controlling interests		**20,417**	21,696
Earnings per share	7		
– Basic (HK cents)		**29.09**	13.15
– Diluted (HK cents)		**29.01**	13.05

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Profit for the year	**344,447**	160,897
Other comprehensive income (expense):		
Items that will not be reclassified to profit or loss:		
Fair value gain on investments in an equity instrument at at fair value through other comprehensive income ("FVTOCI")	**6,885**	—
Deferred tax on revaluation upon equity instrument at FVTOCI	**(1,721)**	—
Gain on revaluation upon transfer from property, plant and equipment to investment properties	**55,272**	1,688
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties	**(32,647)**	(390)
Share of other comprehensive (expense) income of an associate and a joint venture	**(20,035)**	20,953
Exchange differences arising on translation to presentation currency	**(35,914)**	91,829
	(28,160)	114,080
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(45,578)**	(7,208)
	(45,578)	(7,208)
Other comprehensive (expense) income for the year, net of income tax	**(73,738)**	106,872
Total comprehensive income for the year	**270,709**	267,769
Total comprehensive income for the year attributable to:		
– Owners of the Company	**242,429**	262,585
– Non-controlling interests	**28,280**	5,184
	270,709	267,769

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	31 December 2018 HK$'000	31 December 2017 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**505,430**	733,940
Investment properties	9	**826,697**	567,920
Prepaid lease payments		**56,773**	95,611
Other intangible assets		**19,986**	3,416
Available-for-sale ("AFS") investment		**—**	21,582
Equity Instrument at FVTOCI		**40,849**	—
Interest in an associate		**299,715**	150,116
Interest in a joint venture		**96,796**	145,558
Advance payment for interest in a subsidiary		**19,358**	—
Deferred tax assets		**—**	3,121
		1,865,604	1,721,264
Current assets			
Inventories		**16,194**	12,586
Trade and bills receivables	10	**281,149**	314,984
Debt instruments at FVTOCI		**32,129**	—
Prepaid lease payments		**1,445**	2,329
Prepayments, deposits and other receivables		**76,556**	99,272
Amounts due from customers for contract work		**—**	96,896
Contract assets		**191,885**	—
Financial assets at fair value through profit or loss ("FVTPL")		**34**	35
Amount due from ultimate holding company		**5,368**	8,198
Amounts due from fellow subsidiaries		**323,562**	200,293
Pledged bank deposits		**22,589**	14,126
Bank balances and cash		**865,181**	1,391,022
		1,816,092	2,139,741

	NOTES	31 December 2018 HK$'000	31 December 2017 HK$'000 (Restated)
Current liabilities			
Trade payables	11	**180,653**	182,482
Other payables, deposits received and accrued expenses		**482,274**	560,970
Amounts due to customers for contract work		**—**	392,528
Contract liabilities		**511,281**	—
Amount due to ultimate holding company		**1,079**	2,952
Amounts due to fellow subsidiaries		**76,132**	585,643
Deferred income - government grants		**45,317**	70,280
Tax liability		**20,986**	21,312
Bank Loan		**—**	24,020
		1,317,722	1,840,187
Net current assets		**498,370**	299,554
Total assets less current liabilities		**2,363,974**	2,020,818
Non-current liabilities			
Deferred income - government grants		**79,307**	13,446
Deferred tax liabilities		**231,570**	204,346
		310,877	217,792
		2,053,097	1,803,026
Capital and reserves			
Share capital		**11,389**	9,527
Reserves		**2,042,552**	1,891,956
Equity attributable to owners of the Company		**2,053,941**	1,901,483
Non-controlling interests		**(844)**	(98,457)
Total equity		**2,053,097**	1,803,026

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 and financial instruments which are measured at fair values.

MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

On 17 July 2018, Inspur Electronics Limited ("Inspur Electronics"), a wholly-owned subsidiary of the Company, acquired the entire issued share capital of Popular Vision Limited ("Popular") and its subsidiaries from Inspur Overseas Investment Limited ("Inspur Overseas") for a total consideration of HK$ 951,988,000 (equivalent to approximately RMB 770,387,200), satisfied by (i) issuing 139,800,400 new shares of HK$0.01 each at an issue price of HK$2.65 per share to Inspur Overseas; and (ii) assumption of outstanding loan of RMB 470,587,000 owed by Tianyuan Communicaitons System Co., Ltd ("Tianyuan Communciations") to affiliates of Inspur Overseas and acquired 51% of the issued share capital of Depot Wealth Limited ("Depot Wealth") and its subsidiaries from Merit Express International Holdings Limited ("Merit Express") for a total consideration of HK$ 216,166,000 (equivalent to approximately RMB 174,930,000), satisfied by (i) issuing 46,384,000 new share of HK$0.01 each at an issue price of HK$2.65 per share to Merit Express; and cash of RMB 75,460,000. Popular and Depot Wealth indirectly holds 51% and 49% equity interests, respectively, in Inspur Tianyuan Communications and its subsidiaries (Collectively referred to "Tianyuan Communications Group").

The Group's acquisition of Tianyuan Communications is considered to be a business combination under common control as the Group and Popular are both controlled by Inspur Overseas. As such, this acquisition is accounted for by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") as if Tianyuan Communciations have always been operated by the Group.

In applying AG 5, the Company's consolidated statement of financial position as at 31 December 2017 and 1 January 2017 has been restated to include the assets and liabilities of Tianyuan Communications Gorup as if they were within the Group on these respective dates. The Company's consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2017 have also been restated to include the financial performance, changes in equity and cash flows of Tianyuan Communications Group as if they were within the Group since 1 January 2017.

APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the relate Amendments
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

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

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

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

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2020

2. REVENUE

Revenue represents revenue arising from Internet of things (IoT) solution and management software and cloud services business.

An analysis of the Group's revenue for the year is as follows:

For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018		
Segments	**Internet of things (IoT) solution**	**Management software and cloud services**	**Consolidate**
	HK$'000	***HK$'000***	***HK$'000***
Types of goods or service			
Sales of IT peripherals and software	**335,094**	**—**	**335,094**
Software development	**—**	**1,786,766**	**1,786,766**
Other software services	**—**	**320,756**	**320,756**
	335,094	**2,107,522**	**2,442,616**
Geographical markets			
Mainland China	**335,094**	**1,831,255**	**2,166,349**
United States	**—**	**155,839**	**155,839**
Others	**—**	**120,428**	**120,428**
	335,094	**2,107,522**	**2,442,616**
Timing of revenue recognition			
A point in time	**335,094**	**—**	**335,094**
Over time	**—**	**2,107,522**	**2,107,522**
	335,094	**2,107,522**	**2,442,616**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2018		
	Segment Revenue	**Adjustments and eliminations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
Sales of IT peripherals and software	**335,094**	**—**	**335,094**
Software development	**1,786,766**	**—**	**1,786,766**
Other software services	**320,756**	**—**	**320,756**
Revenue from contracts with customers	**2,442,616**	**—**	**2,442,616**
Total revenue	**2,442,616**	**—**	**2,442,616**

For the year ended 31 December 2017

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2017
	HK$'000
Sales of IT peripherals and software	241,705
Software development	1,446,810
Other software services	276,635
	1,965,150

3. SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being the chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on nature of types of services provided. These revenue streams and the basis of the internal reports about components of the Group are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance.

In previous years, specifically, the Group's reportable and operating segments were as follows:

1. Software development and solution – Provision of sales of IT peripherals and software and software development;
2. Software outsourcing – Provision of other software services.

The above reportable and operating segments were based on the types of services provided. During the year, CODM's focus has been changed after the Group acquired Tianyuan Communication Group which is principally engaged in software development and big data business. As a result, the Group is now organised into the following operating and reportable segments:

1. Management software and cloud services – Provision of software development and other software services;
2. Internet of things (IoT) solution – Provision of sales of IT peripherals and software.

Segment revenue and results

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

Segment information

For the year ended 31 December 2018

	Internet of things (IoT) solution *HK$'000*	Management software and cloud services *HK$'000*	Consolidated *HK$'000*
Segment revenue	**335,094**	**2,107,522**	**2,442,616**
Segment profit	**12,567**	**259,384**	**271,951**
Unallocated other income, gains and losses, net			**64,908**
Change in fair value of investment properties			**12,336**
Share of profit of an associate			**191,287**
Share of loss of a joint venture			**(42,842)**
Share-based payments			**(46,917)**
Unallocated central administrative costs			**(65,619)**
Unallocated selling and distribution expenses			**(1,007)**
Impairment losses, net of reversal			**(7,235)**
Financial costs			**(13,743)**
Profit before tax			**363,119**

For the year ended 31 December 2017

	Internet of things (IoT) solution (Restated) *HK$'000*	Management software and cloud services (Restated) *HK$'000*	Consolidated (Restated) *HK$'000*
Segment revenue	241,705	1,723,445	1,965,150
Segment profit	18,812	160,345	179,157
Unallocated other income, gains and losses, net			49,840
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)
Unallocated central administrative costs			(63,764)
Unallocated selling and distribution expenses			(762)
Financial costs			(5,275)
Profit before tax			184,164

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

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

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 Management software and cloud services 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* is by geographic location of assets.

	Revenue from external customers		Non-current assets*	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*
Country of domicile				
- Mainland China	**2,166,349**	1,804,173	**1,788,316**	1,665,926
- Hong Kong	**—**	—	**35,419**	32,219
	2,166,349	1,804,173	**1,823,735**	1,698,145
Others	**276,267**	160,977	**1,020**	1,537
	2,442,616	1,965,150	**1,824,755**	1,699,682

* Non-current assets excluded those relating to equity instrument at FVTOCI (2017: AFS investment).

Information about major customers

The group has no customers whose revenue amount is more than 10% of the group's revenue in 2018 and 2017.

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Other income:		
Interest income on bank deposits	**2,152**	22,866
Interest income on entrusted loan receivables	**—**	4,036
Interest income on financial assets at FVTPL	**22,615**	—
Dividend income from AFS	**—**	1,314
VAT refund (Note a)	**79,810**	80,011
Government subsidies and grants (Note b)	**26,972**	14,040
Rental income	**58,675**	49,727
Others	**269**	105
	190,493	172,099
Other gains and losses, net:		
Net foreign exchange gain	**5,833**	46
Net gain (loss) on disposal and written off of property, plant and equipment	**131**	(38)
	5,964	8

Notes:

(a) Inspur General Software Co. Ltd ("Inspur Genersoft") and Tianyuan Communications 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 2018, income of approximately HK$7,411,000 (2017: HK$12,172,000) 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 2018, income of approximately HK$19,561,000 (2017: HK$1,868,000) 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 fulfill by the Group.

5. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**4,936**	2,586
(Reversal of) Loss allowance for trade and other debts	**(766)**	11,703
Loss allowance on contract assets	**8,001**	2,691
Research and development costs recognised as expense	**152,304**	112,043
Cost of inventories recognised as expense in cost of sales	**317,348**	212,238
Depreciation for property, plant and equipment	**55,972**	38,201
Change in fair value of investment properties	**(12,336)**	(18,016)
Amortisation of prepaid lease payments	**2,297**	2,237
Directors' remuneration	**15,807**	5,841
Other staff costs		
Salaries and other benefits	**998,505**	822,226
Share-based payments	**35,958**	30,758
Retirement benefits scheme contributions	**144,156**	126,188
	1,178,619	979,172
Operating lease rentals in respect of office premises and staff quarters	**59,950**	52,159

6. INCOME TAX EXPENSES

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**13,380**	12,190
Underprovision in respect of previous years	**2,507**	128
Deferred taxation	**2,785**	10,949
	18,672	23,267

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 profits 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 and Tianyuan Communications and Beijing Tianyuan Network Co., Ltd (Tianyuan network).

Inspur Genersoft and Tianyuan Communications and Tianyuan network are recognised as "New and High Technology Enterprise" and therefore entitled to apply a tax rate of 15% for the year ended 31 December 2018.

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 Enterprise Income Tax 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% and Tianyuan Communications and Tianyuan network are applies a reduced tax rate of 15%for the year ended 31 December 2018.

7. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit for the year attributable to the owners of the Company	**324,030**	139,201

	2018	2017
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**1,113,945**	1,058,638
Effect of dilutive potential ordinary shares arising from the outstanding share options	**3,131**	7,837
Weighted average number of ordinary shares for the purpose of dilutive earnings per share*	**1,117,076**	1,066,475

* The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2017 has been adjusted on the assumption that the acquisition of Tianyuan Communication had been completed on 1 January 2017.

8. DIVIDEND

Subsequent to the end of the reporting period, a final dividend of HK$ 0.04 in respect of the year ended 31 December 2018 (2017: final dividend of HK$0.03 in respect of the year ended 31 December 2017) 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.

	2018	2017
	HK$'000	*HK$'000*
Dividend proposed subsequent to the end of the reporting period		
Proposed final dividend for 2018 of HK$ 0.04 (2017: HK$0.03) per ordinary share on 1,138,920,731(2017: 952,736,000) shares	**45,557**	28,582

9. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2017	506,568
Transfer from property, plant and equipment	6,093
Change in fair value of investment properties	18,016
Exchange adjustments	37,243
At 31 December 2017	567,920
Transfer from property, plant and equipment and prepaid lease payment	277,288
Change in fair value of investment properties	12,336
Exchange adjustments	(30,847)
At 31 December 2018	826,697

All of the Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2018 was approximately HK$826,697,000 (2017: HK$ 567,920,000). The fair value has been arrived at based on a valuation carried out by Asset Appraisal Limited, a firm of professional value not connected with the Group.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

	At 31.12.2018		At 31.12.2017	
	Level 3	**Fair value**	Level 3	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$"000*
Commercial property units located				
- Hong Kong	**28,900**	**28,900**	24,400	24,400
- Jinan, Shandong	**525,525**	**525,525**	543,520	543,520
- Beijing	**272,272**	**272,272**	—	—
	826,697	**826,697**	567,920	567,920

10. TRADE AND BILLS RECEIVABLES

	2018
	HK$'000
Trade receivables	
- goods and services	**318,211**
Less: Loss allowance	**(37,062)**
Total trade receivables	**281,149**

	2017
	HK$'000
	(Restated)
Trade and bills receivables	363,728
Less: Loss allowance	(48,744)
Total trade receivables	314,984

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$318,211,000 and HK$354,860,000 respectively.

The following is an aged analysis of trade 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:

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
0-30 days	**182,716**	172,674
31-60 days	**22,607**	31,614
61-90 days	**4,574**	21,223
91-120 days	**10,763**	19,318
121-180 days	**19,187**	15,918
Over 180 days	**41,302**	54,237
	281,149	314,984

11. TRADE PAYABLES

The following is an aged analysis of accounts payable presented based on the invoice date. The analysis includes those classified as part of a disposal group held for sale.

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
0-60 days	**48,424**	92,935
61-90 days	**4,734**	7,622
>90 days	**127,495**	81,925
	180,653	182,482

FINANCIAL REVIEW

During the year ended 31 December 2018, the revenue of the Group achieved new heights, representing an increase approximately 24.3% and also gross profit growth around 34.7% as compared with last corresponding period. Profit attributable to owners of the Company during the year was approximately HK$324,030,000, increased by approximately 132.8% compared with HK$139,201,000 in 2017.

(1) Revenue from Management Software and cloud services recorded a substantial growth.

During the reporting period, the Group recorded a revenue of HK$2,442,616,000 (2017: HK$1,965,150,000) representing an increase of 24.3% as compared with last year. Among them, the revenue of management software and cloud services for the year was HK$2,107,522,000 (2017: HK$1,723,445,000), representing an increase of 22.3% and the revenue from the Internet of things (IoT) was HK$335,094,000 (2017: HK$241,705,000), representing an increase of 38.6% as compared with last year. During the reporting period, Cloud business as our new development focus, got rapid growth and quickly expand its business scale. New revenue growth points are initially formed.

(2) Gross profit from operations increased sharply

During the reporting period, gross profit of the Group was HK$938,764,000 for the year (2017: HK$697,070,000), representing an increase of 34.7% as compared with last year. The Group's gross profit margin was improved and up to 38.4% (2017: 35.5%). The year-to-year improvement in gross profit margin was mainly due to: 1)Rapidly growth in cloud business and at same time its GP margin is higher than other operation business; 2) Despite the intense competition, the gross profit margin of management software was steadily increased mainly because of continuously improvements in product standardization.

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

During the reporting period, selling and distribution expenses and administrative expenses amounted to HK$911,905,000 (2017: HK$738,375,000), representing an increase of 23.5% as compared with last year. The expense increasing is mainly due to growth in income scale, expense generated from engagement of more R&D and marketing staffs. The overall operation 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$196,457,000 (2017: HK$172,107,000) meaning an increase of 14.1% as compared with last year mainly due to: 1) Improvement in investment properties occupancy rate from new reorganized investment properties located in Beijing Zhongguanchun software park Phase 3. The overall income from properties rental and properties management fees amounted to HK$58,675,000 (2017: HK$49,727,000) representing 18% increase comparatively, and 2)an amount of HK$26,972,000 (2017: HK$14,040,000) from government subsidies and grants were recognized as income in current year, which represented an increase of 92.1% as compared with last year.

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

Net profit attributable to owners of the Company for the year was approximately HK$324,030,000 (2017: HK$139,201,000), representing a significant improvement as compared with last year. Main reasons were: (1) Despite facing fierce market competition, the company's main management software business continued to grow steadily and achieved a good economic scale; (2) The profits from new-acquired business Inspur Tianyuan from the reporting period were beyond the profit target and got steady growth compared with the corresponding period; (3) Share from the profits of investment associates got a substantial growth.

Basic earnings per share were HK29.09 cents (2017: HK13.15 cents) and diluted earnings per share were HK29.01 cents (2017: HK13.05 cents).

(6) Financial resources and liquidity

As at 31 December 2018, equity attributable to owners of the Company amounted to HK$2,053,941,000 (at 31 December 2017: HK$1,901,483,000). Current assets amounted to HK$1,816,092,000 of which HK$865,181,000 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$1,317,722,000. The Group's current assets were around 1.38 times over its current liabilities (31 December 2017: 1.16 times).

As at 31 December 2018, 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.

The functional currency of the Company is Renminbi ("RMB"). For the convenience of the consolidated financial statement users, the consolidated financial statements are presented in Hong Kong Dollar ("HK$"), as the Company's shares are listed on the Stock Exchange.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 4,840 employees. Total employee remuneration, including directors' remuneration and mandatory provident fund contributions amounted to approximately HK$1,194,426,000.

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

CHARGES ON ASSETS

As at 31 December 2018, approximate HK$22,589,000 of the Group's bank deposits was pledged (31 December 2017: approximate HK$14,126,000).

BUSINESS REVIEW

During the reporting period, the Group caught up with the growth trend of enterprises' demand for digital transformation, focused on "cloud + data" and made full use of new technologies such as cloud computing, big data, Internet of Things, artificial intelligence and block chain to accelerate the upgrading of management software products and cloud services. Inspur Enterprise Cloud ERP was taken as the new momentum of enterprise transformation and upgrading, aiming to help customers build intelligent enterprises.

During the reporting period, the Group accelerated its transformation to cloud and launched cloud products such as PS Cloud to provide comprehensive cloud ERP solutions and services for micro, small, medium and large enterprises. At the same time, it focused on "platform + ecology" to comprehensively promote the development of cloud, intelligence and ecology, and to lead the digital transformation of enterprises. At the 2018 China IT User Satisfaction Conference held in January 2019, Inspur Enterprise Cloud ERP won 6 honors including the "First Prize of Product Satisfaction"; at the 2019 China IT Market Annual Conference held in February, Inspur was named as "China Management Software Market's Successful Enterprise of the Year". The Group's management software continued to occupy the first place in the market and its brand and market influence were further enhanced.

I. ERM Software and Cloud Service Business

During the reporting period, the revenue from management software and cloud services amounted to HK$2,107,522,000, up by 22.3% year on year. On the one hand, the rapid growth of revenue benefited from the fast development of cloud services, which became the driving force for the Company's revenue increase; on the other hand, the revenue of management software business maintained stable growth, further expanding the scope of industries it covered.

1. **Cloud service business**

    The Group provided comprehensive cloud services to enterprises of different sizes, enabling Inspur's partners and those enterprises to enhance their core competitiveness in the cloud era. During the reporting period, the revenue from the cloud service business grew at a high speed.

    During the reporting period, in terms of the large enterprise market, the Company continued to optimize its cloud service platform for large enterprises, namely GS Cloud, in the concepts of interconnection, sharing, refinement and intelligence, to enhance the promotion of products such as financial cloud, human resource cloud, procurement cloud, collaborative cloud, travel cloud, tax management cloud and marketing cloud, and released EA enterprise brain and enterprise intelligent robot EAbot, all of which helped promote the digital transformation of large enterprises.

During the reporting period, in response to the transformation trend of human resources service of enterprises, the Company released a new version of full SaaS human resources cloud (HCM Cloud). As a professional human resources service platform on the cloud, the human resources cloud focused on the integration of business and human resources, further expanding the application scenarios of human resources cloud, and created a total of seven clouds including human resources service cloud, salary and welfare cloud, time management cloud, social recruitment cloud, performance management cloud, training service cloud and full service cloud, which improved product experience and won the award of China Human Resources Cloud Market's Annual Impact Product. At the same time, according to the characteristics of large and medium-sized enterprises, the Group introduced HCM Cloud PaaS platform, which was featured with inherent cloud architecture, fully autonomous and controllable, and more flexible. The platform focused on the integration of human resources and business of enterprises, and further enhanced its application value. In the future, the Group will continue to strengthen market promotion of the platform, enhance customer experience and expand the scale of users.

During the reporting period, the Company's procurement cloud (iGo Cloud) continuously optimized its internal and external services, constantly improved its sourcing capability, integrated the industrial chain, supervision chain and data chain in the aspects of core issues regarding enterprises' procurement transparency, procurement quality and procurement decision-making, further improved the platform capability, and achieved full coverage of the procurement model. The product attracted many industry benchmark customers such as China Railway and Shanghai Construction Group. At the same time, the Company accelerated its iterative research and development of the product, and continuously expanded its application fields by using cloud intelligence, such as supply chain finance and employee travel, to achieve successful promotion and application in industries like construction, intelligent manufacture of equipment, mining, drugs manufacture, and consumer goods. The iGo Cloud won the award of "User Preferred Brand" in China IT User Satisfaction Conference.

During the reporting period, the Company further upgraded the intelligent enterprise collaboration cloud platform "Cloud + Intelligence". The "Cloud + Intelligence", as a unified portal for enterprise mobile applications, integrated online and offline back-office business applications, and loaded all enterprise mobile applications into one App to help enterprises improve collaboration efficiency. In response to the personalized demand of large and medium-sized enterprises for "safe customization", the "Cloud + Intelligence" added multi-cloud architecture, personalized customization, extensible dialogue AI platform, intelligent voice chat and other functions, launched a new Internet style UI, comprehensively improved user experience and enterprise collaboration level, and rolled out more than 10 security features. The "Cloud + Intelligence" was awarded the User Recommended Brand of the Year. In terms of application ecology, the Group introduced the ecological applications of many partners such as Weaver, and achieved expanded application scenarios and customer coverage.

During the reporting period, in terms of the small and medium-sized enterprise market, the Company set up a joint venture with Odoo and launched the first open source cloud ERP product, PS Cloud, which included the open source industrial PaaS platform and cloud SaaS applications, featuring in three major aspects of open source, micro-service and SaaS. Currently, 56 standard applications, 800 business components and industry modules as well as 12,000 third-party plugins have been launched on the Company's official website www.mypscloud.com, covering a variety of application scenarios such as collaborative research and development, industrial chain collaboration, intelligent manufacturing and financial sharing. It can provide one-stop solutions and an integrated management platform. The Company will take the PS Cloud platform as its core driving force to accelerate the development of partners, build an open source ecosystem, and help growing enterprises to access to the cloud platform and make digital transformation.

During the reporting period, the Company promoted the establishment of China Open Source Industry PaaS Association, committed to promoting the construction of industrial Internet platforms in an open source model to meet the demand for massive industrial App during the development of domestic industrial Internet and the access of enterprises to cloud. It helped Inspur to be successfully selected as the National Cross-industry and Cross-domain Industrial Internet Platform by the Ministry of Industry and Information Technology, and the PS Cloud was named as the "Excellent Solution for Industrial Internet APP" by the Ministry of Industry and Information Technology. The Group also won honors of 2018 Most Innovative SaaS Product, the User Recommended Brand in 2018 China IT User Satisfaction Survey, and the Innovative Product in China Growing Enterprise Cloud Service Market of the Year.

During the reporting period, in terms of the small and micro enterprise market, the Company rolled out the new version of Inspur E-cloud Online 3.0, interconnecting the sections of finance, business, taxation and finance of an enterprise, and providing small and micro enterprises with one-stop cloud service solutions including cloud accounting, cloud purchase, sale and inventory, cloud outsourced bookkeeping, cloud ordering and cloud e-finance; meanwhile, it cooperated with a number of banks to provide small and micro enterprises with one-stop cloud service involving intelligent fiscal and financial solutions; through continuous iterative optimization, it further improved user experience, and made its services more convenient, intelligent and humanized. Inspur E-cloud Online was successfully selected as "China's Preferred Service Provider for Small and Medium Enterprises" by the Ministry of Industry and Information Technology. Inspur Cloud Accounting won multiple important awards including "2018 Best Product Award for Enterprise Cloud Applications in China's Software and Information Services Industry" and "Micro Enterprise Cloud Service Market's Annual Impact Product". Its business continued to grow at a high speed. Inspur E-cloud will further develop the platform's unique features of linking, mobility, intelligence and security, cooperate with more ecological partners in depth, provide more small and micro enterprises with one-stop cloud services integrating business, finance and tax, help enterprises to access to cloud, and support small and micro enterprises to accelerate their digital transformation.

2. Management software business

During the reporting period, through the acquisition and business restructuring of Inspur Tianyuan Communications as well as the restructuring and adjustment of software outsourcing business, the Group's management software business achieved further expansion of industry coverage and customer base. During the reporting period, the management software business witnessed steady revenue growth due to the increase in the contracted amount and overall demand.

During the reporting period, the Group on the one hand continued to expand new customers, and on the other hand moved on to explore and maintain the new needs of existing customers. It promoted the replacement and upgrading of products, strengthened market coordination of various business units, and expanded income scale. The Company fully leveraged its product advantages in group control, financial sharing, intelligent manufacturing, enterprise big data, and network operation support system (OSS) to continuously promote its customers, the large enterprise groups, to innovate in digital transformation and management.

The Group effectively seized the opportunities of the domestic hot spot of shared services, providing five models of accounting reconciliation sharing, reimbursement sharing, standard financial sharing, business-finance integration sharing and comprehensive sharing, respectively, to provide shared service solutions for enterprises of different sizes and types. Inspur's financial sharing products and services integrated Ctrip business travel management, supported electronic invoice reimbursement and electronic accounting document management, and covered comprehensive tax management through new technological means including online reimbursement, electronic imaging, and online approval. Inspur focused on "strengthening financial control through sharing model" to create a new financial control model of "flexible sharing, elaborate control, and integration of business and finance". The financial sharing products can help enterprise groups to strengthen the control of their subordinate operating units vertically and realize the integration of finance and business horizontally, which provided strong technical support for effective supervision and management decisions, and acted as the most effective tool for enterprise groups to implement and manage accounting process and promote financial transformation. Those projects won multiple awards in the 2018 CCID and CCW selection, such as "China Financial Cloud Market's Annual Impact Product" and "Product Satisfaction First Prize".

During the reporting period, the Company launched a new-generation intelligent manufacturing all-in-one solution "Intelligent Manufacturing+", which integrated AI, block chain, edge computing and other new IT technologies. Its business covered the whole business operation chain of enterprises, including: sales, procurement, collaborative planning, product design, intelligent workshop, and the whole business operation chain of intelligent service enterprises; it also released Manufacturing and Operating Management (MOM) products, including cloud center and double-layer application of edge layers, which supported a variety of intelligent services such as automatic product quality detection based on machine vision, predictive maintenance of equipment, and equipment cloud detection. At the same time, the Company actively promoted strategic cooperation, collaboration, sharing, co-creation and win-win principle to provide better intelligent manufacturing services to the manufacturing industry, helping manufacturing enterprises to develop from traditional manufacturing to digital manufacturing, and finally to realize networked intelligent manufacturing across industrial chains. During the reporting period, the Group was rated as the Excellent Service Unit for Intelligent Manufacturing, and its intelligent manufacturing products also won the "Best Solution of the Year for 2018-2019 China's Enterprise Informatization Market".

During the reporting period, the "Software Automatic Construction for Intelligent Manufacturing" project filed by the Group was approved as the major project of the national major research and development plan "Key Scientific Issues of Transformative Technology", and other 3 projects including the "Big Data Innovation Application for Large Industrial Enterprises" were shortlisted for the Internet+ Manufacturing Demonstration Project of the Ministry of Industry and Information Technology, all of which indicated the strength and research and development capability of Inspur in terms of industrial Internet and intelligent manufacturing.

During the reporting period, Inspur Tianyuan Communications focused on the software development and services for telecom operators, mainly including the provision of products and services in supporting system software development (OSS business). At present, those products and services have covered the headquarters of China Mobile, China Unicom, China Telecom, and China Tower as well as 31 nationwide provincial subsidiaries of major operators. During the reporting period, the Group's OSS software business achieved steady revenue growth due to stable demand of operators.

II. Internet of Things Solution Business

During the reporting period, the Group's Internet of Things solution business was mainly provided to the grain industry and the communications industry, with the revenue reaching HK$335,094,000, up by 38.6% year on year.

In terms of the grain industry, the Group offered intelligent all-in-one grain solutions based on the Internet of Things to competent grain authorities at all levels and grain depots of large, medium, small and micro sizes. The Company insisted on independent innovation, continuously strengthened independent research and development of core technologies, and integrated new technologies such as the Internet of Things with the grain business. At present, the Intelligent Grain Depot program has been applied to nearly 1,000 grain depots across the country. At the end of December 2018, the Group acquired a 60% equity interest of Zhengzhou Hualiang Technology. It is expected that after the acquisition, the Group will further consolidate its position as the largest market-share service provider in the intelligent grain industry. The "China Grain.com" under Zhengzhou Hualiang Technology is a mature professional portal, which integrates functions like B2B trading services, information services and price publishing. It has solid customer base, and provides a sound platform for the Group to develop big data in intelligent agricultural informatization.

With respect to the telecom industry, the Group facilitated its cooperation with China Mobile Internet of Things Company regarding Internet of Things platform during the reporting period. Currently, it has deployed and applied related applications in provincial companies of China Mobile. At the same time, it also has successfully carried out ICT projects based on the Internet of Things for multiple provincial and municipal companies involving in the business with the transportation and energy industries. According to the management requirements of the operators, Tianyuan Communications will further strengthen the provision of end-to-end overall solutions for the Internet of Things equipment, networks, systems and information, centralize the management of core services of the Internet of Things, realize the efficient integration of the information industry and the communication industry, and assist the development of government and enterprise services provided by the operators. With the development of 4G network and the gradual expansion and construction of 5G network, the Group can use cloud computing, big data and artificial intelligence technologies to deeply integrate with the operators' Internet of Things comprehensive connectivity so as to jointly develop the enterprise service market.

BUSINESS PLAN

Inspur was the first to put forward the strategy of boosting the digital transformation of enterprises, and proposed the concept of "digital transformation helps achieve intelligent enterprises". Meanwhile, Inspur has always stood at the forefront of the transformation in the era, continuously making iterative innovations, and providing system and methodology for digital transformation. It can help empower enterprises with cloud and data, establish intelligent brain of enterprises, and build interconnected, sharing, refined and intelligent enterprises. In 2019, the Company will continue to strengthen its transformation to SaaS service business, while consolidating its high-end and industry advantages. The Company will vigorously develop cloud partners, build a cloud ecosystem, compete for small and medium-sized enterprise management software and cloud service markets, and further enhance its market share in SaaS services provided to enterprises. In the future, relying on its parent company Inspur Group's full industrial presence in the areas of IaaS-Paas-SaaS and the brand influence of Inspur, the Company will join more partners to establish an industrial Internet ecology to promote enterprises to access to cloud, develop intelligent brain for enterprises with big data and AI, and facilitate the construction of intelligent enterprises. In the foreseeable future, the Group will become a leading manufacturer of enterprise management software and cloud services in China.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, 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 2018, save as: 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 CodeA.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 2018.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2018, 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 3 June 2019 to 6 June 2019 (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 31 May 2019.

(ii) The register of members will be closed from 13 June 2019 to 17 June 2019 (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 12 June 2019.

By Order of the Board
Inspur International Limited
Wang Xingshan
Chairman

Hong Kong, 18 March 2019

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 as non-executive Director, and Ms.Zhang Ruijun, Mr. Wong Lit Chor, Alexis and Mr. Ding Xiangqian as independent non-executive Directors.