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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 2019

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 2019 as follows:

Financial highlights for the year ended 31 December 2019:

— Turnover increased by approximately 18.6% compared with 2018 to approximately HK$2,897,694,000.

— Turnover of Cloud Services increased by approximately 109.6% compared with 2018 to approximately HK$387,910,000.

— Turnover of Management Software increased by approximately 2.4% compared with 2018 to approximately HK$1,969,121,000.

— Profit attributable to owners of the Company during the year was approximately HK$203,059,000, decreased by approximately 37.3% compared with HK$324,030,000 in 2018.

— Basic earnings per share attributable to owners of the Company during the year were approximately 17.83 HK cents, decreased by approximately 38.7% compared with 29.09 HK cents in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue		2,897,694	2,442,616
Cost of sales		(1,863,138)	(1,503,852)
Gross profit		1,034,556	938,764
Other income	4	169,035	190,493
Other gains and losses	4	(3,738)	5,964
Impairment losses, net of reversal		(43,265)	(7,235)
Administrative expenses		(303,699)	(378,036)
Research and development expenses		(242,946)	(152,304)
Selling and distribution expenses		(469,504)	(381,565)
Financial costs		(1,563)	(13,743)
Change in fair value of investment properties		8,586	12,336
Share of profit of associates		42,092	191,287
Share of profit (loss) of a joint venture		3,280	(42,842)
Profit before tax		192,834	363,119
Income tax expenses	6	(1,933)	(18,672)
Profit for the year		190,901	344,447
Profit for the year attributable to owners of the Company	8	203,059	324,030
(Loss) profit for the year attributable to non-controlling interests		(12,158)	20,417
Earnings per share	8		
- Basic (HK cents)		17.83	29.09
- Diluted (HK cents)		17.59	29.01

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	190,901	344,447
Other comprehensive income (expense):		
Items that will not be reclassified to profit or loss:		
Fair value (loss) gain on investment in an equity instrument at fair value through other comprehensive income ("FVTOCI")	(4,548)	6,885
Deferred tax on revaluation upon equity instrument at FVTOCI	1,136	(1,721)
Gain on revaluation upon transfer from property, plant and equipment to investment properties	30,681	55,272
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties	(1,986)	(32,647)
Share of other comprehensive income (expense) of associates and a joint venture	6,814	(20,035)
Exchange differences arising on translation to presentation currency	(39,592)	(35,914)
	(7,495)	(28,160)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(2,992)	(45,578)
	(2,992)	(45,578)
Other comprehensive expense for the year, net of income tax	(10,487)	(73,738)
Total comprehensive income for the year	180,414	270,709
Total comprehensive income (expense) for the year attributable to:		
- Owners of the Company	189,833	242,429
- Non-controlling interests	(9,419)	28,280
	180,414	270,709

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	NOTES	31 December 2019 HK$'000	31 December 2018 HK$'000
Non-current assets			
Property, plant and equipment		402,130	505,430
Investment properties	9	961,010	826,697
Goodwill		8,455	-
Right-of-use assets		58,755	-
Prepaid lease payments		-	56,773
Other intangible assets		68,578	19,986
Equity instrument at FVTOCI		35,609	40,849
Interest in associates		473,908	299,715
Interest in a joint venture		98,234	96,796
Advance payment for interest in a subsidiary		-	19,358
		2,106,679	1,865,604
Current assets			
Inventories		873	16,194
Trade and bills receivables	10	353,148	281,149
Debt instruments at FVTOCI		11,503	32,129
Prepaid lease payments		-	1,445
Prepayments, deposits and other receivables		96,599	76,556
Contract assets		383,875	191,885
Financial assets at fair value through profit or loss ("FVTPL")		33	34
Amount due from ultimate holding company	11	4,078	5,368
Amounts due from fellow subsidiaries	11	274,937	323,562
Pledged bank deposits		18,998	22,589
Bank balances and cash		807,125	865,181
		1,951,169	1,816,092
Current liabilities			
Trade payables	12	334,951	180,653
Other payables, deposits received and accrued expenses		508,084	482,274
Lease liabilities		6,563	-
Contract liabilities		672,868	511,281
Amount due to ultimate holding company	13	1,153	1,079
Amounts due to fellow subsidiaries	13	48,629	76,132
Deferred income - government grants		103,315	45,317
Tax liabilities		15,147	20,986
		1,690,710	1,317,722
Net current assets		260,459	498,370
Total assets less current liabilities		2,367,138	2,363,974

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AT 31 DECEMBER 2019

	31 December 2019 HK$'000	31 December 2018 HK$'000
Non-current liabilities		
Lease liabilities	4,633	-
Deferred income - government grants	53,371	79,307
Deferred tax liabilities	230,989	231,570
	288,993	310,877
	2,078,145	2,053,097
Capital and reserves		
Share capital	11,389	11,389
Reserves	2,014,531	2,042,552
Equity attributable to owners of the Company	2,025,920	2,053,941
Non-controlling interests	52,225	(844)
Total equity	2,078,145	2,053,097

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Share-based payments reserve HK$'000	Translation reserve HK$'000	Revaluation reserve HK$'000	Merge reserve HK$'000 (note c)	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	9,527	1,034,431	(132,197)	92	9,427	125,092	84,395	16,236	775,782	1,922,785	(100,581)	1,822,204
Profit for the year	-	-	-	-	-	-	-	-	324,030	324,030	20,417	344,447
Other comprehensive (expense) income	-	-	-	-	-	(104,033)	22,432	-	-	(81,601)	7,863	(73,738)
Total comprehensive (expense) income for the year	-	-	-	-	-	(104,033)	22,432	-	324,030	242,429	28,280	270,709
Contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	-	26,722	26,722
Consideration for acquiring subsidiaries under common control	1,862	526,902	(260,349)	-	-	-	-	(397,033)	(990)	(129,608)	44,735	(84,873)
Dividend paid	-	-	-	-	-	-	-	-	(28,582)	(28,582)	-	(28,582)
Recognition of equity-settled share-based payments	-	-	-	-	46,917	-	-	-	-	46,917	-	46,917
	1,862	526,902	(260,349)	-	46,917	-	-	(397,033)	(29,572)	(111,273)	71,457	(39,816)
At 31 December 2018	11,389	1,561,333	(392,546)	92	56,344	21,059	106,827	(380,797)	1,070,240	2,053,941	(844)	2,053,097

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note a)	Special reserve HK$'000 (note b)	Share-based payments reserve HK$'000	Translation reserve HK$'000	Revaluation reserve HK$'000	Merge reserve HK$'000 (note c)	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019	11,389	1,561,333	(392,546)	92	56,344	21,059	106,827	(380,797)	1,070,240	2,053,941	(844)	2,053,097
Profit for the year	-	-	-	-	-	-	-	-	203,059	203,059	(12,158)	190,901
Other comprehensive (expense) income	-	-	-	-	-	(34,188)	20,962	-	-	(13,226)	2,739	(10,487)
Total comprehensive (expense) income for the year	-	-	-	-	-	(34,188)	20,962	-	203,059	189,833	(9,419)	180,414
Contribution by non-controlling interest	-	-	10,089	-	-	-	-	-	-	10,089	16,279	26,368
Acquisition of additional interests in a subsidiary	-	-	(192,701)	-	-	-	-	-	-	(192,701)	5,681	(187,020)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	40,528	40,528
Dividend paid	-	-	-	-	-	-	-	-	(45,557)	(45,557)	-	(45,557)
Recognition of equity-settled share-based payments	-	-	-	-	10,315	-	-	-	-	10,315	-	10,315
	-	-	(182,612)	-	10,315	-	-	-	(45,557)	(217,854)	62,488	(155,366)
At 31 December 2019	11,389	1,561,333	(575,158)	92	66,659	(13,129)	127,789	(380,797)	1,227,742	2,025,920	52,225	2,078,145

Notes:

(a) Other reserve arose from the acquisition of partial interest in a subsidiary without changes in control.

(b) The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal amount of the Company's shares issued for the acquisition at the time of the reorganisation prior to the listing of the Company's shares in 2003.

(c) The merge reserve arose from the acquisition of subsidiaries under common control and the 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").

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK$'000	2018 HK$'000
NET CASH FROM OPERATING ACTIVITIES	255,608	259,862
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(132,991)	(47,143)
NET CASH USED IN FINANCING ACTIVITIES	(167,085)	(676,101)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(44,468)	(463,382)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	865,181	1,391,022
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(13,588)	(62,459)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Bank balances and cash	807,125	865,181

1. GENERAL

Inspur International Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Inspur Overseas Investment Limited ("Inspur Overseas"), a company incorporated in the British Virgin Islands and Inspur Group Limited ("IPG"), a company established in the People's Republic of China (the "PRC") are the immediate holding company and ultimate holding company of the Company, respectively. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

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.

The Company is an investment holding company. The principal activities of the subsidiaries (together with the Company, referred to as the "Group") are engaging in providing the management software, cloud services business and IoT solutions.

2. 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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

2.1 HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.75%.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

	At 1 January 2019 HK$'000
Operating lease commitments disclosed at 31 December 2018	20,390
Lease liabilities discounted at relevant incremental borrowing rates	19,727
Less: Recognition exemption - short-term leases	(11,436)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	8,291
Lease liabilities at 1 January 2019	8,291
Analysed as	
Current	4,075
Non-current	4,216
	8,291

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	8,291
Reclassified from prepaid lease payments (*)	58,218
	66,509
By class:	
Leasehold lands	58,218
Leased properties	8,291
	66,509

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

* Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$1,445,000 and HK$56,773,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for subleases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. At the date of initial application, leased properties under subleases were assessed and classified as an operating lease or a finance lease individually based on the remaining contractual terms and conditions of the head lease and the sublease at that date. The classification of the subleases of the Group has not been changed based on the assessment required.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
		HK$'000	HK$'000	HK$'000
Non-current Assets				
Prepaid lease payments	(*)	56,773	(56,773)	-
Right-of-use asset		-	66,509	66,509
Current Assets				
Prepaid lease payments	(*)	1,445	(1,445)	-
Current Liabilities				
Lease liabilities		-	(4,075)	(4,075)
Non-current liabilities				
Lease liabilities		-	(4,216)	(4,216)

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 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.
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 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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 the year 2018, specifically, the Group's reportable and operating segments were as follows:

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.

During the year, CODM's business focus has shifted to cloud services with a rapid growth of cloud services revenue. As a result, the Group is now organised into the following operating and reportable segments:

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

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 2019			
Segments	Cloud services HK$'000	Management software HK$'000	Internet of things (IoT) solution HK$'000	Consolidated HK$'000
Segment revenue	387,910	1,969,121	540,663	2,897,694
Segment (loss) profit	(130,172)	262,314	1,681	133,823
Unallocated other income, gains and losses, net				99,220
Change in fair value of investment properties				8,586
Share of profit of associates				42,092
Share of profit of a joint venture				3,280
Share-based payments				(10,315)
Unallocated administrative costs				(56,127)
Unallocated selling and distribution expenses				17,103
Impairment losses, net of reversal				(43,265)
Financial costs				(1,563)
Profit before tax				192,834

3. SEGMENT INFORMATION - continued

For the year ended 31 December 2018

Segments	Cloud services HK$'000	Management software HK$'000	Internet of things (IoT) solution HK$'000	Consolidated HK$'000
	For the year ended 31 December 2019			
Segment revenue	185,050	1,922,472	335,094	2,442,616
Segment profit	(46,706)	254,350	12,567	220,211
Unallocated other income, gains and losses, net				116,648
Change in fair value of investment properties				12,336
Share of profit of associates				191,287
Share of loss of a joint venture				(42,842)
Share-based payments				(46,917)
Unallocated 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

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 segment 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.

3. SEGMENT INFORMATION - continued

	Revenue from external customers		Non-current assets*	
	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000
Country of domicile				
- Mainland China	2,776,069	2,166,349	2,029,827	1,788,316
- Hong Kong	-	-	35,527	35,419
	2,776,069	2,166,349	2,065,354	1,823,735
Others	121,625	276,267	5,716	1,020
	2,897,694	2,442,616	2,071,070	1,824,755

* Non-current assets excluded those relating to equity instrument at FVTOCI.

Information about major customers

The group has no customers whose revenue amount is more than 10% of the Group's revenue in 2019 and 2018.

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2019	2018
	HK$'000	HK$'000
Other income:		
Interest income on bank deposits	4,050	2,152
Interest income on financial assets at FVTPL	11,567	22,615
VAT refund (note a)	66,077	79,810
Government subsidies and grants (note b)	16,249	26,972
Rental income	66,848	58,675
Others	4,244	269
	169,035	190,493
Other gains and losses, net:		
Net foreign exchange (loss) gain	(2,985)	5,833
Net (loss) gain on disposal and written off of property, plant and equipment and other intangible assets	(623)	131
Others	(130)	-
	(3,738)	5,964

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET - continued

Notes:

a. Inspur Generally Software Co., Ltd. ("Inspur Genersoft") and Tianyuan Communications System Co., Ltd. ("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 2019, income of approximately HK$8,663,000 (2018: HK$7,411,000) 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 2019, income of approximately HK$7,586,000 (2018: HK$19,561,000) 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

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	37,366	55,972
Depreciation for right-of-use assets	7,944	--
Amortisation for other intangible assets	1,455	668
Release of prepaid lease payments	--	2,297
Total depreciation and amortisation	46,765	58,937
Auditor's remuneration	3,779	4,936
Operating lease rentals in respect of office premises and staff quarters	--	59,950
Expense relating to short-term leases	50,678	--
Gross rental income from investment properties	(77,883)	(66,475)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	10,296	7,688
direct operating expenses incurred for investment properties that did not generate rental income during the year	739	112
	(66,848)	(58,675)
Directors' remuneration	8,283	15,807
Other staff costs		
Salaries and other benefits	1,159,469	998,505
Share-based payments	8,023	35,958
Retirement benefits schemes contributions	157,800	144,156
	1,325,292	1,178,619
Cost of inventories recognised as expense in cost of sales	502,618	317,348

6. INCOME TAX EXPENSES

	2019 HK$'000	2018 HK$'000
Current tax:		
PRC EIT	5,857	13,380
(Over) under provision in prioryear		
PRC EIT	(5,564)	2,507
Deferred taxation	1,640	2,785
	1,933	18,672

7. DIVIDEND

The Board of directors does not recommend the payment of a final dividend for the year ended 31 December 2019(the year ended 31December 2018: HK$0.04)

8. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings		
Profit for the year attributable to the owners of the Company	203,059	324,030
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	1,138,920	1,113,945
Effect of dilutive potential ordinary shares arising from the outstanding share options	15,388	3,131
Weighted average number of ordinary shares for the purpose of diluted earningsper share	1,154,308	1,117,076

9. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2018	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
Acquired on acquisition of a subsidiary	7,088
Transfer from property, plant and equipment andprepaidleasepayment	136,255
Change in fair value of investment properties	8,586
Exchange adjustments	(17,616)
At 31 December 2019	961,010

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 2019 was approximately HK$ 961,010,000 (2018: HK$826,697,000). The fair value has been arrived at based on a valuation carried out by Asset Appraisal Limited, a firm of professional valuer not connected with the Group.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2019 and 2018 are as follows:

	At 31 December 2019		At 31 December 2018	
	Level 3	Fair value	Level 3	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
Commercial property units located				
- Hong Kong	27,900	27,900	28,900	28,900
- Jinan	573,343	573,343	525,525	525,525
- Beijing - Tianyuan Network	350,379	350,379	272,272	272,272
- Beijing - Zhengzhou Hualiang	5,890	5,890	-	-
- Changsha - Zhengzhou Hualiang	3,498	3,498	-	-
	961,010	961,010	826,697	826,697

10. TRADE AND BILLS RECEIVABLES

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:

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
0-30 days	241,539	182,716
31-60 days	35,373	22,607
61-90 days	16,900	4,574
91-120 days	10,082	10,763
121-180 days	12,331	19,187
Over 180 days	36,923	41,302
	353,148	281,149

11. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Amounts due from related companies:		
Trading in nature		
Fellow subsidiaries	271,237	319,842
Ultimate holding company	3,292	4,588
	274,529	324,430
Non-trading in nature		
Fellow subsidiaries	3,700	3,720
Ultimate holding company	786	780
	4,486	4,500
Total amounts due from related companies	279,015	328,930
Analysed as:		
Amounts due from fellow subsidiaries	274,937	323,562
Amount due from ultimate holding company	4,078	5,368
Total amounts due from related companies	279,015	328,930

12. TRADE PAYABLES

The following is an aged analysis of trade payable presented based on the invoice date.

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
0-60 days	213,659	48,424
61-90 days	14,195	4,734
>90 days	107,097	127,495
	334,951	180,653

13. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Trading in nature		
Fellow subsidiaries	41,691	62,036
Ultimate holding company	718	736
	42,409	62,772
Non-trading in nature		
Fellow subsidiaries	6,938	14,096
Ultimate holding company	435	343
	7,373	14,439
Total amounts due to related companies	49,782	77,211
Analysed as:		
Amounts due to fellow subsidiaries	48,629	76,132
Amount due to ultimate holding company	1,153	1,079
Total amounts due to related companies	49,782	77,211

The amounts due to fellow subsidiaries and ultimate holding company which are non-trading in nature are unsecured, interest free and repayable on demand.

14. ACQUISITION OF SUBSIDIARIES

On 14 January 2019, the Group acquired a 60% interest in Zhengzhou Hualiangfrom Zhengzhou Grain Wholesale Market Co., Ltd. and China Grain Reserves Group Co., Ltd.. This acquisition has been accounted for using the purchase method. Zhengzhou Hualiang is principally engaged in the business of smart food solutions, E-commerce of agricultural and sideline products, information service, and development of software in PRC. The Acquisition can strengthen the Company's market position in the smart food industry and complement the existing business of the Group.

Consideration transferred

	HK$'000
Cash	69,564
	69,564

Acquisition-related costs amounting to HK$124,000 have been excluded from the cost of acquisition and have been recognized as an expense in the current year, within the 'Administrative expenses' line item in the consolidated statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Current assets	
Cash and cash equivalents	90,373
Trade and other receivables	20,287
Inventories	14,442
Non-current assets	
Property, plant and equipment	19,279
Investment property	7,088
Other intangible assets	10,501
Deferred tax assets	1,154
Current liabilities	
Trade and other payables	23,948
Contract liabilities	25,262
Other payables, deposits received and accrued expenses	10,375
Non-current liabilities	
Deferred tax liabilities	2,218
	101,321

14. ACQUISITION OF SUBSIDIARIES - continued

The fair value of trade and other receivables at the date of acquisition amounted to HK$20,287,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$ 27,154,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$6,867,000.

Goodwill arising on acquisition (determined on a provisional basis)

	HK$'000
Consideration transferred	69,564
Plus: non-controlling interests (40% in Zhengzhou Hualiang)	40,528
Less: recognised amount of identifiable net assets acquired (100%)	(101,321)
Goodwill arising on acquisition	8,771

Goodwill arose on the acquisition of Zhengzhou Hualiang because the acquisition included the assembled workforce of Zhengzhou Hualiang and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflows arising on acquisition

	HK$'000
Consideration paid in cash (RMB60,000,000)	69,564
- Advanced payment in year 2018 (RMB17,000,000)	20,137
- Paid in year 2019 (RMB43,000,000)	50,285
- Exchange adjustment	(858)
Less: cash and cash equivalent balances acquired	(90,373)
Net cash from acquisition of a subsidiary in year 2019	(40,088)

Impact of acquisition on the results of the Group

Included in the profit for the year is HK$280,000 attributable to the additional business generated by Zhengzhou Hualiang. Revenue for the year includes HK$146,909,000 generated from Zhengzhou Hualiang.

The acquisition date was close to 1 January 2019, the amount between 1 January 2019 and the acquisition date is immaterial.

15. Event occurring after the reporting period

As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to materially affect the consolidated results of the Group for the first half and full year of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2019, our Group is continuing to make the breakthrough in cloud business transformation. Due to the rapid growth of cloud service business, the revenue of the Group achieved an increase approximately 18.6% and gross profit got around 10.2% growth as compared with last corresponding period.

(1) Revenue

During the reporting period, the Group recorded a revenue of HK$2,897,694,000 (2018: HK$2,442,616,000) representing an increase of 18.6% as compared with last year. Our revenue mainly come from our business in China and operates in Renminbi. The revenue if accounted in RMB represented 23.9% growth comparatively. Among them, the revenue of cloud service business was HK$387,910,000 (2018: HK$ 185,050,000) ,recorded 109.6% growth (119.0% growth accounted in RMB) compared with last corresponding period, the revenue of cloud service business weighted 13.4% of total revenue and became new growth driven and main growth comes from big enterprises' market; revenue of management software for the year was HK$1,969,121,000 (2018: HK$1,922,472,000), representing an increase of 2.4% (7.0% growth accounted in RMB) and the revenue of the Internet and of things (IoT) was HK$540,663,000 (2018: HK$335,094,000), representing an increase of 61.3% (68.5% growth accounted in RMB) as compared with last year, growth mainly from the increasing orders from telecom clients and large SOE.

(2) Gross profit

During the reporting period, gross profit of the Group was HK$1,034,556,000 for the year (2018: HK$938,764,000), representing an increase of 10.2% as compared with last year. The Group's gross profit margin was 35.7% (2018: 38.4%). The decrease in gross profit margin was mainly due to growth in low margin IoT business.

(3) Selling and distribution, administrative expense and R&D expense

During the reporting period, adminstration expenses amounted to HK$303,699,000 (2018: HK$378,036,000), representing a decrease of 19.7% as a result of strict control on the function expense and improving management efficiency. The research and development (R&D) expense was HK$242,946,000 (2018: HK$152,304,000) and incrased 59.5% compared with last year, mainly due to aggressive inputs in the R&D of cloud service business.

During the period, the selling and distribution expenses was HK$469,504,000 (2018:HK$381,565,000), increasing 23% compared with the last corresponding period, mainly due to actively expand in cloud service business, enlarge in market size and so increase the group's overall expense.

(4)Other income and other gains and losses

During the year, the other income and other gains and losses amounted to HK$165,297,000 (2018: HK$196,457,000) meaning a decrease of 15.9% as compared with last year mainly due to: 1) Because the bank deposit was reduced after settlement of the acquisition of Tianyuan, the bank interest income was HK$15,617,000 (2018:HK$24,767,000), representing a 36.9% decrease comparatively; 2) During the reporting period, because of the reduction of VAT tax rate, the refund from software VAT was reduced 17.2% to HK$66,077,000 (2018: HK$79,810,000);3) Recognised government grants was reduced 39.8% compared with the last year to HK$16,249,000 (2018:HK$26,972,000).

(5)Investment income from associates and joint venture

During the reporting period, share of profit of associats was HK$42,092,000 (2018:HK$191,287,000) and reduced 78% compared with the last year because the profit of an associats dropped significantly as a results of the impact of economic environment, production plan, and etc. During the period, share of the profit of a joint venture was improved and recorded profit HK$3,280,000 (2018: loss HK$42,842,000) because one-off assets impairment loss was recorded in last year and operating performance was improved in this period.

(6)Profit before tax

During the period, profit before the tax was approximately HK$192,834,000 (2018: HK$363,119,000), representing a 46.9% decline as compared with last year. Main reasons were: 1) Share of profit of associats reduced HK$149,195,000 comparatively; 2) Despite facing fierce market competition, operating profit of segment of management software business recorded 3.1% growth to HK$262,314,000(2018:HK$254,350,000); 3) Operating loss of the segment of cloud was HK$130,172,000 (2018:loss HK$46,706,000) and expanded 178.7% comparatively; (4) Operating profit of IoT segment reduced 86.6% to HK$1,681,000 compared with 2018 (2018: HK$12,567,000) because of the inventory impairment. After setting-off the operating loss increase of cloud service business and decline in operating profit of IoT segment with the increasing profit of the management software business, the overall segment profit decreased 39.2% to HK$133,823,000 (2018:HK$220,211,000) comparatively.

(7)Income tax expenses

During the reporting period, the income tax expense reduced to HK$1,933,000 (2018: HK$18,672,000) because of the profit decline.

(8)Profit for the year attributable to owners of the Company

During the reporting period, net profit attributable to owners of the Company for the year was approximately HK$203,059,000 (2018: HK324,030,000), representing a 37.3% decrease compared with last year. Main reasons were: 1) in the period, share of profit of associats and a joint venture was HK$45,372,000 (2018: HK$148,445,000) and reduced 69.4% compared with the last year; 2) Our group kept promoting the cloud service business transformation, however operating loss of this segment increased comparatively.

Basic earnings per share were 17.83 HK cents (2018:29.09 HK cents) and diluted earnings per share were 17.59 HK cents (2018:29.01 HK cents).

(9)Financial resources and liquidity

As at 31 December 2019, equity attributable to owners of the Company amounted to HK$2,025,920,000 (at 31 December 2018: HK$2,053,941,000). Current assets amounted to HK$1,951,169,000 of which HK$807,125,000 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$1,690,710,000. The Group's current assets were around 1.15 times over its current liabilities (31 December 2018: 1.38 times).

As at 31 December 2018 and 2019, 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$"). During the reporting period, as a result affected by the translation exchange rate from RMB to HongKong Dollar, the change in the data presented in the reports was less than actual change in the business operation.

CAPTIAL STRUCTURE

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

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had 5,145 employees. Total employee remuneration, including directors' remuneration and mandatory provident fund contributions amounted to approximately HK$1,333,575,000.

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 2019, approximate HK$18,998,000 of the Group's bank deposits was pledged (31 December 2018: approximate HK$22,589,000).

BUSINESS REVIEW

During the reporting period, the Group responded to the digital transformation needs of enterprises and focused on “Cloud+Data+AI”. Through application of new technologies such as cloud computing, big data, Internet of Things, artificial intelligence and blockchain etc, the Group was fully accelerating upgrade of management software products and cloud services. The Group focuses on the Cloud ERP and aims to help customers build smart enterprises.

During the reporting period, the Group strengthened its high-end advantages and speeded up its cloud transformation development, aggregated our ecological partners through platform products and created a new engine for enterprise digital transformation. In the period, the Group promoted cloud-based and intelligent product development from the underlying architecture level and launched the products such as “Enterprise Digital Capability Platform” Middle-end iGIX, Treasury Management Cloud, HCM. Cloud SE (human resource management cloud) etc. During the reporting period, the Group deepened the large customers management, and signed contracts with the customers such as Dongfang Electric Group, China National Gold Group，Nanshan Group, Guangzhou Water, Weichai, ZTO Express, and Shuanghui Group etc. In 2019, the company was among the SaaS leader camp. Competitiveness of its application software of enterprises level stayed in the forefront of the country. The company was listed by Ministry of Industry and Information Technology as a solution supplier of China Intelligent Manufacture and preferred supplier of China Finance cloud. The Group’s brand and market influence was further enhanced.

1、Cloud Service Business

The Group provides comprehensive cloud services to enterprises in different scales and empowers Inspur partners and enterprises to enhance their core competitiveness in the cloud era. During the reporting period, our revenue from cloud services business recorded a rapid growth, amounted HK$387,910,000, representing 109.6% growth comparatively.

(1)Large enterprises market

During the reporting period, to serve the large enterprise market, the company continued to optimize the large enterprise digital platform GS Cloud. The company increased the product promotion such as financial cloud, human resource cloud, procurement cloud, collaborative cloud, treasury management cloud, travel cloud, tax management cloud, marketing cloud etc. At same time, the company released fist domestic “middle-end” enterprise digital platform- Inspur iGIX, which further speeded up the digital transformation of large enterprises.

During the reporting period, for landing the enterprise Middle-end strategy, based on the cloud orientated and micro-service architecture, through fusion of digital technology of flexible calculation, intelligent IoT, machine learning and cognitive service etc, the company released the first domestic digital middle-end product- iGIX to steady the enterprises' digital, operating and ecological ability. Shown on the market research report of PaaS industry, Inspur was the leader in the field of PaaS market and listed No 1 comprehensive competitiveness.

During the reporting period, the company focused on customers' successful applications and released a HCM Cloud 3.0, which integrated multiple AI technologies and installed human resources sharing framework. The products HCM Cloud meet wide-ranging application needs of group enterprises and speeded up human resource management digital transformation. During the period, the Group signed contracts with China Construction Civil Engineering Corp and Division, Shanghai Construction Corp, Shuanghui Group, Lunan Pharmaceutical Group, Zhujiang Beer etc. According to the research report for HCM software market, Inspur HCM Cloud was listed in Top 2 in China Human resource software SaaS market and ranked No 1 in large-enterprises' market.

During the reporting period, the company and ICBC jointly published product Treasury Management Cloud. Through merging the ICBC's finance service ability and Inspur's enterprises' information service ability, both sides were taking the lead in building one-stop "Treasury + Finance" cloud product to provide professional treasury management and finance service to our large and medium size enterprise clients. During the period, Treasury Management Cloud product had signed contracted with Aluminum Corporation of China, ICBC Leasing, DeRUCCI etc.

During the reporting period, the company's procurement cloud (iGo Cloud) continuously optimized its internal and external services and accelerated the iterative product research and development in order to create first-class domestic e-commerce cooperative eco platform. During the reporting period, the company signed with customers such as Guangdong Road and Bridge Group, Tianjin Food Group, Nanjing Metro, Wuhan Industrial Holding Group, SUNNSY Group etc.

During the reporting period, the company further upgraded the collaborative cloud platform "Cloud +". Focusing on the business operation scenario and work tasks, aiming on agility and collaboration, the "Cloud+" provided more than 20 function and service as timely communication, business directory, task schedule and supervision, mobile approval, cloud disk, etc, and quickly meet the restructured organization needs like control on "site, organization, personnel and process". During the period, "Cloud +" was newly signed with SASAC Tianjin, Baiyun Airport, Guangzhou Water Supply etc.

(2)Growth enterprise market

During the reporting period, focusing on the growth enterprise market, the company launched a new generation of open source cloud ERP product PS Cloud V2.5. The product included standard SaaS applications and open source PaaS development platform to help the growth enterprise realise finance and operation process integration and intelligence and speed up the management up towards the cloud. At the same time, the company had signed contracts with partners for fields of sales, delivery, consulting, micro-services etc. The company newly signed with the industry head enterprises such as China Tobacco Yunnan Industrial, HFY-group, Overland, Macrolink Group, Aladdin Group, Degao Floor and etc.. This product was awarded Excellent solution for industrial internet APP by the Ministry of Industry and Information Technology and also got honor like high SaaS client satisfaction brand etc.

In the March of 2020, for the human resource management market of growth enterprise, the company delivered a new human resource SaaS product-HCM Cloud SE. This product, with the character of professional, serviceable and supportive, provides the series of functions such as attendance and payroll integration, no-contact recruitment, no-contact training etc to help the growth enterprise get rapid development.

(3)Small and Micro Enterprise Market

During the reporting period, in the small and micro enterprise market, the company released the professional version and store version of Inspur Yiyun, which input more value-added tools such as online taxation risk assessment, bank auto-reconciliation etc, and cooperated with a number of banks to provide intelligent one-stop invoice-financial-taxation cloud solutions to small and micro enterprises. During the reporting period, Inspur Yiyun got honors like “2019 SME Financial SaaS Cloud Service Trustworthy Product" , "2019 SME preferred cloud service brand" and many other awards.

2、Management Software Business

During the reporting period, industries and customers covered by Group’s management software business were further expanded. The company fully utilized its product advantages in the fields of financial sharing, intelligent manufacturing, enterprise big data, and network operation support system (OSS) and also technology advantage in block chain, AI and etc to continuously help our large enterprise group customers innovate in digital transformation and management. The revenue of management software reached HK$1,969,121,000, with 2.4% growth year-on-year basis.

The Group adhered to the domestic shared service hotspots, released an integrated open platform, built financial middle-end, enhanced the ability to integrate financial sharing with heterogeneous business systems and financial systems, improved product intelligence, and newly added multiple robots handling scenarios such as accounts receivable, reconciliation, etc., and published the financial sharing center board integrated with the big data analysis. Help the group enterprise customers strengthen the management and control of subordinate operating units in a vertical directions, realize the integration of financial business horizontally, and provide strong technical support for effective supervision and decision-making.

During the reporting period, the company continued to enrich totality intelligent manufacturing solution and launch the BoostGo industry intelligent platform, of which function covered industry data collection, time series data storage and analysis, 3D machine simulation etc. Through collection of edge data and analysis, it realises management's vertical integration between MES manufacturing execution system and ERP plan, and therefore provide the manufacturing industry a totality intelligent solution. During the reporting period, the Group was selected as an intelligent manufacturing system solution supplier, and signed contract with manufacturing group clients like Nanshan Group, CRHIC, Wuhan Industry Holding, Chongqing Jianshe Industry Group etc.

During the reporting period, the company released the enterprise intelligent open innovation platform EA Enterprise Brain 3.0, which integrates IT technologies such as artificial intelligence and big data, and automatically start business processes based on rules-driven ERP systems to help enterprises achieve automation and intelligent upgrade. Customers such as Guangdong Water, Lianyungang Urban Construction Holding, Tianjin Food, Zhengtong Coal Mine, Xishan Coal and Power, Sunshine Insurance etc, had successfully applied. During the reporting period, the Smart Enterprise Application Promotion Group led by Inspur was selected into the next-generation artificial intelligence industry technology innovation strategic alliance.

During the reporting period, the company deepened in R&D of blockchain technology, integrated with the ERP practice and enriched more blockchain technology scene application in order to serve more customers in different fields and further upgrade ERP technology and ability. At present, the company's blockchain application includes: blockchain +financial payment, blockchain +e-procurement, blockchain +inside trading, blockchain + e-invoice etc. Relying on the experienced scene application ability, powerful eco cooperative ability, strong totality service ability, next step, more blockchain technology will be used in our product R&D to empower the enterprise.

During the reporting period, Inspur Tianyuan Communication grasped the opportunities of 5G development and telecom operators upgrading their supporting system. The company developed and published total new cloud wise series products: iOSS. iOSS realised automatic, intelligent and agile support to network operation and maintenance and end-to-end operations, It strongly supported the development of operators' 5G and cloud-network integration. The company successfully executed the benchmark projects in Beijing Mobile and Shangdong Unicom. The company explored business to new industries like State Grid and China Railway through core products applied by new operators like China Mobile Zhixing and China Mobile network. The company provides the customers intelligent operation supporting products and service to assist industry operator digital transformation.

3、Internet of Things Solution Business

During the reporting period, Our Group's IoT business mainly was covering the Grain and Telecom industry and realized revenue of HK$540,663,000, representing 61.3% growth comparatively.

For the grain and agriculture industry, through integration of Zhengzhou Hualiang Technology, the Group provides smart grain and reverses solutions to grain and reserve authorities at all levels and grain-related enterprises of large, medium, small and micro-scale. During the reporting period, we launched all series of "Smart Grain" projects. In the period, through supporting national inventory of policy-related grain quality and quantity and signing contracts with SINOCHEM,COFCO and CNCRC, the company consolidated its highs in the grain industry highs. At same time, the company explored to the provincial grain and reserve markets and signed contracted with four provinces like Gansu, Ningxia, etc.

During the reporting period, the telecom industry grasps the 5G era digital transformation and IoT development opportunities. The intelligent industry IoT middle-end platform, based on the IOE brain, realized the technology leap from single point of intelligence to multi-body intelligence, and closely linked across with different industries such as energy, transportation, forestry, wisdom city etc. Since breaking through brain-like cognitive abilities like multidimensional perception, global insight, real-time decision, continuous evolution etc, it generates series of industry solutions such as wisdom energy, wisdom transportation, and wisdom forestry etc. Based on the above, the company will keep on exploring in IOE market, through grasping the urgent demands of telecom operators in government administration and enterprises business development, combining its digital advantages with network of operators, jointly building an ecosystem with industry partners, and taking its advantage in the field of cloud computing, big data and AI etc

BUSINESS PLAN

In 2020, the company will invest more in R&D of cloud ERP, speed up business transformation up to Cloud, and further upgrade its proportion of cloud business. Based on its business strategy of deepening the operation of large customers and consolidating high-end advantages, the company s will continue upgrading and optimize its software products and cloud service, strengthen “Platform + Ecology” partner operation idea, cooperate with joint partners to assist enterprises to operate on the cloud platform, and create a new engine for enterprise digital transformation. In the future, relying on the parent company Inspur Group under its full coverage of IaaS-Paas-SaaS and the influence of Inspur brand, the company will continuously create new technologies, new applications, new models, and assist the construction of smart enterprises. In the foreseeable future, the Group has become a leader in enterprise management software and cloud services in China.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, 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 CorporateGovernance Practices (the "Code") contained in Appendix 14 of Listing Rules for Main Boardthroughout the period ended 31 December 2019, save as: Under code provision A.6.7 of theCG 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 beaway for business trips. The Company will improve its meeting scheduling and arrangementin 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 Listedissuers (the "Model Code") set out in Appendix 10 of Main Board Listing Rule as its owncode of conduct regarding Directors' securities transactions. Having made specific enquiriesto all Directors, all Directors confirmed that they have complied with the requirement set outunder the Model Code throughout the period ended 31 December 2019.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2019, 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 andrequirements, 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:

The register of members will be closed from 2 June 2020 to 5 June 2020 (both datesinclusive), during which period no transfer of shares will be effected. In order to qualifyto attend and vote at the AGM, all transfers of shares accompanied by the relevant sharecertificates 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 laterthan 4:30 p.m. on 1 June 2020.

By Order of the Board
Inspur International Limited
Chairman
Wang Xingshan

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprised Mr. Wang Xingshan,Mr. Lee Eric Kong and Mr. JinXiaozhou, 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.