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 2020

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 2020 as follows:

Financial highlights for the year ended 31 December 2020:

— Turnover decreased by approximately 11.8% compared with 2019 to approximately HK$2,556,750,000.

— Turnover of Cloud Services increased by approximately 30.5% compared with 2019 to approximately HK$506,337,000.

— Turnover of Management Software decreased by approximately 17.8% compared with 2019 to approximately HK$1,617,991,000.

— Loss attributable to owners of the Company during the year was approximately HK$157,044,000 (2019: profit HKD 203,059,000).

— Basic loss per share attributable to owners of the Company during the year were approximately 13.79 HK cents (2019: profit 17.83 HK cents).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	**2020**	2019
		HK$'000	*HK$'000*
Revenue		**2,556,750**	2,897,694
Cost of sales		**(1,806,810)**	(1,863,138)
Gross profit		**749,940**	1,034,556
Other income	4	**213,676**	169,035
Other gains and losses	4	**(43,885)**	(3,738)
Impairment losses under expected credit loss model, net of reversal		**(44,995)**	(43,265)
Administrative expenses		**(259,461)**	(303,699)
Research and development expenses		**(318,894)**	(242,946)
Selling and distribution expenses		**(440,186)**	(469,504)
Financial costs		**(2,023)**	(1,563)
Change in fair value of investment properties		**(27,877)**	8,586
Share of profit of associates		**23,743**	42,092
Share of profit of a joint venture		**954**	3,280
(Loss) profit before tax		**(149,008)**	192,834
Income tax expenses	6	**(17,496)**	(1,933)
(Loss) profit for the year	5	**(166,504)**	190,901
(Loss) profit for the year attributable to owners of the Company		**(157,044)**	203,059
Loss for the year attributable to non-controlling interests		**(9,460)**	(12,158)
(Loss) earnings per share	8		
– Basic (HK cents)		**(13.79)**	17.83
– Diluted (HK cents)		**(13.79)**	17.59

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK$'000	*HK$'000*
(Loss) profit for the year	**(166,504)**	190,901
Other comprehensive income (expense):		
Items that will not be reclassified to profit or loss:		
Fair value loss on investment in an equity instrument at fair value through other comprehensive income ("FVTOCI")	**(13,991)**	(4,548)
Deferred tax on revaluation upon equity instrument at FVTOCI	**3,498**	1,136
Gain on revaluation upon transfer from property, plant and equipment to investment properties	**—**	30,681
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties	**—**	(1,986)
Share of other comprehensive (expense) income of associates and a joint venture	**30,339**	(6,814)
Exchange differences arising on translation to presentation currency	**73,893**	(25,964)
	93,739	(7,495)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**6,431**	(2,992)
	6,431	(2,992)
Other comprehensive income (expense) for the year, net of income tax	**100,170**	(10,487)
Total comprehensive (expense) income for the year	**(66,334)**	180,414
Total comprehensive (expense) income for the year attributable to:		
– Owners of the Company	**(59,314)**	189,833
– Non-controlling interests	**(7,020)**	(9,419)
	(66,334)	180,414

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	NOTES	**31 December 2020** *HK$'000*	31 December 2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**395,933**	402,130
Investment properties	9	**989,636**	961,010
Goodwill		**—**	8,455
Right-of-use assets		**72,518**	58,755
Other intangible assets		**65,953**	68,578
Equity instrument at FVTOCI		**23,036**	35,609
Interest in associates		**372,434**	473,908
Interest in a joint venture		**105,318**	98,234
		2,024,828	2,106,679
Current assets			
Inventories		**1,239**	873
Trade and bills receivables	10	**375,057**	353,148
Debt instruments at FVTOCI		**4,836**	11,503
Prepayments, deposits and other receivables		**113,154**	96,599
Contract assets		**355,371**	383,875
Financial assets at fair value through profit or loss ("FVTPL")		**—**	33
Amount due from ultimate holding company	11	**1,982**	4,078
Amounts due from fellow subsidiaries	11	**226,641**	274,937
Pledged bank deposits		**21,489**	18,998
Bank balances and cash		**1,033,672**	807,125
		2,133,441	1,951,169

	NOTES	31 December 2020 HK$'000	31 December 2019 HK$'000
Current liabilities			
Trade payables	12	**238,957**	334,951
Other payables, deposits received and accrued expenses		**506,032**	508,084
Lease liabilities		**11,560**	6,563
Contract liabilities		**878,960**	672,868
Provisions		**36,152**	—
Amount due to ultimate holding company	13	**1,219**	1,153
Amounts due to fellow subsidiaries	13	**48,576**	48,629
Deferred income - government grants		**56,408**	103,315
Tax liabilities		**20,896**	15,147
		1,798,760	1,690,710
Net current assets		**334,681**	260,459
Total assets less current liabilities		**2,359,509**	2,367,138
Non-current liabilities			
Lease liabilities		**9,478**	4,633
Deferred income - government grants		**95,717**	53,371
Deferred tax liabilities		**243,888**	230,989
		349,083	288,993
		2,010,426	2,078,145
Capital and reserves			
Share capital		**11,389**	11,389
Reserves		**1,952,705**	2,014,531
Equity attributable to owners of the Company		**1,964,094**	2,025,920
Non-controlling interests		**46,332**	52,225
Total equity		**2,010,426**	2,078,145

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000 (note a)	Other reserve HK$'000 (note b)	Special reserve HK$'000	Share-based payments reserve HK$'000 (note c)	Translation reserve HK$'000	Revaluation reserve HK$'000	Merge reserve HK$'000	Retained profits HK$'000	Subotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
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
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 (Note 7)	–	–	–	–	–	–	–	–	(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
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**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(157,044)**	**(157,044)**	**(9,460)**	**(166,504)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**108,223**	**(10,493)**	**–**	**–**	**97,730**	**2,440**	**100,170**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**108,223**	**(10,493)**	**–**	**(157,044)**	**(59,314)**	**(7,020)**	**(66,334)**
Contribution by non-controlling interest	**–**	**–**	**2,287**	**–**	**–**	**–**	**–**	**–**	**–**	**2,287**	**1,127**	**3,414**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**(4,799)**	**–**	**–**	**–**	**–**	**(4,799)**	**–**	**(4,799)**
Annulment of exercisable share options (note d)	**–**	**–**	**–**	**–**	**(1,454)**	**–**	**–**	**–**	**1,454**	**–**	**–**	**–**
	–	**–**	**2,287**	**–**	**(6,253)**	**–**	**–**	**–**	**1,454**	**(2,512)**	**1,127**	**(1,385)**
At 31 December 2020	**11,389**	**1,561,333**	**(572,871)**	**92**	**60,406**	**95,094**	**117,296**	**(380,797)**	**1,072,152**	**1,964,094**	**46,332**	**2,010,426**

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").

(d) In 2020, 1,600,000 exercisable share options held by 2 resigned employees were annulled, and share-based payments reserve recognised in the previous years was transferred to retained profits.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK$'000	*HK$'000*
NET CASH FROM OPERATING ACTIVITIES	**84,084**	255,608
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**102,931**	(132,991)
NET CASH USED IN FINANCING ACTIVITIES	**(11,679)**	(167,085)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**175,336**	(44,468)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**807,125**	865,181
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**51,211**	(13,588)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Bank balances and cash	**1,033,672**	807,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 Sales of software development, cloud services and Internet of Things (IoT).

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 *Impacts on application of Amendments to HKFRS 3 Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

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 and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

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

4 Effective for annual periods beginning on or after 1 June 2020.

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

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

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 37 *Onerous Contracts - Cost of Fulfilling a Contract*

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group's assessment of onerous contracts in relation to several software development contracts.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

    (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

    (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs ***Annual Improvements to HKFRSs 2018-2020***

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

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.

Segment revenue and results

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

For the year ended 31 December 2020

	Cloud services	Management software	Internet of things (IoT) solution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**506,337**	**1,617,991**	**432,422**	**2,556,750**
Segment (loss) profit	**(168,546)**	**3,695**	**9,333**	**(155,518)**
Unallocated other income, gains and losses, net				**109,812**
Change in fair value of investment properties				**(27,877)**
Share of profit of associates				**23,743**
Share of profit of a joint venture				**954**
Share-based payments				**4,799**
Unallocated administrative expenses				**(56,259)**
Unallocated selling and distribution expenses				**(1,644)**
Impairment losses, net of reversal				**(44,995)**
Financial costs				**(2,023)**
Loss before tax				**(149,008)**

For the year ended 31 December 2019

	Cloud services	Management software	Internet of things (IoT) solution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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 expenses				(56,128)
Unallocated selling and distribution expenses				17,104
Impairment losses, net of reversal				(43,265)
Financial costs				(1,563)
Profit before tax				192,834

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 PRC, the country of domicile except for some services rendered by management software segment which is 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***	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Country of domicile				
- Mainland China	**2,461,834**	2,776,069	**1,968,679**	2,029,827
- Hong Kong	**—**	—	**29,294**	35,527
	2,461,834	2,776,069	**1,997,973**	2,065,354
Others	**94,916**	121,625	**3,819**	5,716
	2,556,750	2,897,694	**2,001,792**	2,071,070

* 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 2020 and 2019.

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2020	2019
	HK$'000	*HK$'000*
Other income:		
Interest income on bank deposits	**3,279**	4,050
Interest income on financial assets at FVTPL	**7,074**	11,567
VAT refund (note a)	**60,054**	66,077
Government subsidies and grants (note b)	**77,036**	16,249
Rental income	**62,836**	66,848
Others	**3,397**	4,244
	213,676	169,035
Other gains and losses, net:		
Net foreign exchange gain (loss)	**5,180**	(2,985)
Net loss on disposal and written off of property, plant and equipment and other intangible assets	**(1,068)**	(623)
Impairment loss recognised in respect of		
- goodwill (note c)	**(8,502)**	—
- other intangible assets (note c)	**(7,291)**	—
- investment in an associate	**(31,296)**	
Others	**(908)**	(130)
	(43,885)	(3,738)

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 2020, income of approximately HK$61,331,000 (2019: HK$8,663,000) 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 2020, income of approximately HK$15,705,000 (2019: HK$7,586,000) 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.

c. Goodwill and other intangible assets with indefinite useful lives arose from the acquisition of Zhengzhou Hualiang Technology Co., Ltd. ("Zhengzhou Hualiang") in the year ended 31 December 2019. During the year ended 31 December 2020, it is noted that Zhengzhou Hualiang's financial performance didn't' meet the management's expectations set on the date of acquisition and the management estimated that there is no potential improvement in Zhengzhou Hualing's financial performance in future.

   At 31 December 2020, the management performed an assessment of the recoverable amounts of Zhengzhou Hualiang. The Group estimates the recoverable amounts is lower than the carrying amount as at 31 December 2020. As a result the Group has recognised impairments on the relevant goodwill and other intangible assets with indefinite useful lives of HK$8,502,000 and HK$7,291,000, respectively.

5. PROFIT FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	**38,008**	37,366
Depreciation for right-of-use assets	**14,813**	7,944
Amortisation for other intangible assets	**12,271**	1,455
Total depreciation and amortisation	**65,092**	46,765
Auditor's remuneration	**3,190**	3,779
Expense relating to short-term leases	**39,799**	50,678
Gross rental income from investment properties	**(70,748)**	(77,883)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	**6,544**	10,296
direct operating expenses incurred for investment properties that did not generate rental income during the year	**1,368**	739
	(62,836)	(66,848)
Directors' remuneration	**3,956**	8,283
Other staff costs		
Salaries and other benefits	**1,271,992**	1,159,469
Share-based payments	**(2,588)**	8,023
Retirement benefits schemes contributions	**141,200**	157,800
	1,410,604	1,325,292
Cost of inventories recognised as expense in cost of sales	**384,825**	502,618

6. INCOME TAX EXPENSES

	2020	2019
	HK$'000	*HK$'000*
Current tax:		
PRC EIT	**13,251**	5,857
Under (over) provision in prior years		
PRC EIT	**150**	(5,564)
Deferred taxation	**4,095**	1,640
	17,496	1,933

7. DIVIDEND

The Board of directors does not recommend the payment of a final dividend for the year ended 31 December 2020 (the year ended 31 December 2019: Nil)

8. (LOSS) EARNINGS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the year attributable to the owners of the Company	**(157,044)**	203,059

	2020	2019
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	**1,138,920**	1,138,920
Effect of dilutive potential ordinary shares arising from the outstanding share options	**—**	15,388
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,138,920**	1,154,308

9. INVESTMENT PROPERTIES

The Group leases out various offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 month to 4 years, with unilateral rights to extend the lease beyond initial period held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	HK$'000
FAIR VALUE	
At 1 January 2019	826,697
Acquired on acquisition of a subsidiary	7,088
Transfer from property, plant and equipment and right-of-use assets	136,255
Change in fair value of investment properties	8,586
Exchange adjustments	(17,616)
At 31 December 2019	961,010
Change in fair value of investment properties	(27,877)
Exchange adjustments	56,503
At 31 December 2020	989,636

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 2020 was approximately HK$ 989,636,000 (2019: HK$961,010,000). 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 2020 and 2019 are as follows:

	At 31 December 2020		At 31 December 2019	
	Level 3	**Fair value**	Level 3	Fair value
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Commercial property units located				
- Hong Kong	**21,700**	**21,700**	27,900	27,900
- Jinan	**596,231**	**596,231**	573,343	573,343
- Beijing - Tianyuan Network	**361,962**	**361,962**	350,379	350,379
- Beijing - Zhengzhou Hualiang	**6,100**	**6,100**	5,890	5,890
- Changsha - Zhengzhou Hualiang	**3,643**	**3,643**	3,498	3,498
	989,636	**989,636**	961,010	961,010

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 2020	At 31 December 2019
	HK$'000	*HK$'000*
0-30 days	**230,694**	241,539
31-60 days	**25,420**	35,373
61-90 days	**50,805**	16,900
91-120 days	**20,204**	10,082
121-180 days	**5,185**	12,331
Over 180 days	**42,749**	36,923
	375,057	353,148

11. AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	At 31 December 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Amounts due from related companies:		
Trading in nature		
Fellow subsidiaries	**221,141**	271,237
Ultimate holding company	**1,954**	3,292
	223,095	274,529
Non-trading in nature		
Fellow subsidiaries	**5,500**	3,700
Ultimate holding company	**28**	786
	5,528	4,486
Total amounts due from related companies	**228,623**	279,015
Analysed as:		
Amounts due from fellow subsidiaries	**226,641**	274,937
Amount due from ultimate holding company	**1,982**	4,078
Total amounts due from related companies	**228,623**	279,015

12. TRADE PAYABLES

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

	At 31 December 2020 *HK$'000*	At 31 December 2019 *HK$'000*
0-60 days	**77,766**	213,659
61-90 days	**7,729**	14,195
>90 days	**153,462**	107,097
	238,957	334,951

13. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

	At 31 December 2020	At 31 December 2019
	HK$'000	*HK$'000*
Trading in nature		
Fellow subsidiaries	**38,177**	41,691
Ultimate holding company	**814**	718
	38,991	42,409
Non-trading in nature		
Fellow subsidiaries	**10,399**	6,938
Ultimate holding company	**405**	435
	10,804	7,373
Total amounts due to related companies	**49,795**	49,782
Analysed as:		
Amounts due to fellow subsidiaries	**48,576**	48,629
Amount due to ultimate holding company	**1,219**	1,153
Total amounts due to related companies	**49,795**	49,782

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the year ended 31 December 2020, our Group's revenue mainly arised from our business in China. Due to impact of COVID epidemic and fierce market competition, in the period, the revenue of the Group recorded a decrease approximately 11.8% and gross profit reduced 27.5% as compared with last corresponding period.

(1) Revenue

During the reporting period, the Group recorded a revenue of HK$2,556,750,000 (2019: HK$2,897,694,000) representing a decrease of 11.8% as compared with last year. Our revenue mainly came from our business in China and operated in Renminbi. The revenue if accounted in RMB represented 11% decrease comparatively.Among them, the revenue of cloud service business was HK$506,337,000 (2019: HK$ 387,910,000),recorded 30.5% growth (31.7% growth accounted in RMB) compared with last corresponding period, and weighted 19.8% of total revenue and became a new growth driven. Revenue of management software for the year was HK$1,617,991,000 (2019: HK$1,969,121,000), representing a decrease of 17.8% (17.1% decrease accounted in RMB). The revenue of the Internet of things (IoT) was HK$432,422,000 (2019: HK$540,663,000), representing a decrease of 20.0% (19.3% decrease accounted in RMB) comparatively. Decrease in revenue in IOT solution was mainly due to the reducing orders from large SOE as a result of epidemic.

(2) Gross profit

During the reporting period, gross profit of the Group was HK$749,940,000 (2019: HK$1,034,556,000), representing a decrease of 27.5% as compared with last year. The Group's gross profit margin was 29.3% (2019: 35.7%). The decrease in gross profit margin was mainly because gross profit margin of management softeware segment decreased comparatively as a result of fierce market competition.

(3) Administrative expense, R&D expense and selling and distribution expenses

During the reporting period, adminstration expenses amounted to HK$259,461,000 (2019: HK$303,699,000), representing a decrease of 14.6% as a result of strict control on the administrative expense and improving management efficiency in epidemic period.

During the reporting period, the research and development (R&D) expense was HK$318,894,000 (2019: HK$242,946,000) and increased 31.3% compared with last year, mainly due to aggressive inputs in the R&D of cloud service business and expandion in R&D staffs.

During the period, the selling and distribution expenses was HK$440,186,000 (2019: HK$469,504,000), decreasing 6.2% compared with the last corresponding period. To adjust to the business transformation, we try hard to control the distribution expense in management software business so to set-off the increasing market expense of cloud service business.

(4) Other income and other gains and losses

During the year, the other income and other gains and losses amounted to HK$169,791,000 (2019: HK$165,297,000) meaning an increase of 2.7% as compared with last year mainly due to: 1) Recognised government grants was increased 374.1% compared with the last year to HK$77,036,000 (2019:HK$16,249,000); 2) During the reporting period, because of the reduction of the revenue of management software, the refund from software VAT was reduced 9.1% to HK$60,054,000 (2019: HK$66,077,000); 3) Because the bank deposit was reduced comparatively, the bank interest income was HK$10,353,000 (2019: HK$15,617,000), representing a 33.7% decrease comparatively; 4) Rental income from investment properties amounted HK$62,836,000 (2019: HK$66,848,000) and reduced 6% comparatively; 5) Due to the changes of business envoirment, in the period, we accounted impairment loss of goodwill and intangible assts of indefinite period about HK$15,793,000; and due to the closure of an associate, in the period, we accounted impairment loss for long-term investment about HK$31,296,000 (2019: Nil).

(5) Investment income from associates and joint venture

During the reporting period, share of profit of associats was HK$23,743,000 (2019: HK$42,092,000) and reduced 43.6% compared with the last year as a results of the impact of economic environment and change of production plan, and etc. During the period, share of the profit of a joint venture recuced siginificantly and recorded profit HK$954,000 (2019: HK$3,280,000), representing a 70.9% decrease comparatively.

(6) Profit before tax

During the period, loss before the tax was approximately HK$149,008,000 (2019: profit of HK$192,834,000), representing a siginificant decline as compared with last year. Main reasons were: 1) Share of profit of associates reduced HK$18,349,000 comparatively; 2) Despite facing fierce market competition, in the period, some industry customers of management software business postponed the delivery, which resulted in the segment profit of management software reducing 98.6% to HK$3,695,000 (2019: HK$262,314,000); 3) Although the cloud service business kept steady growth, the business was still in expansion period and loss therefore further enlarged. Loss from segment of cloud service business increased 29.5% to HK$168,546,000 (2019: Loss HK$130,172,000); 4) Due to the change of business envoirment, during the reporting period, imparement loss of goodwill and intangible assets was accounted about HK$15,793,000 (2019: Nil) and due to closure of an associate, in the period, impairment loss of long-term investment was about HK$31,296,000 (2019: Nil).

(7) Income tax expenses

During the reporting period, the income tax expense accounted to HK$17,496,000 (2019: HK$1,933,000) because of the deferred taxation.

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

During the reporting period, loss attributable to owners of the Company for the year was approximately HK$157,044,000 (2019: profit of HK$203,059,000), representing a siginificant decrease compared with last year. Main reasons were: 1) in the period, because of the impact of the epidemic and economic envoirment, some of our industry customers of management software postponed the delivery, which resulted in the siginificant deduction in operation profit of this segment about 98.6% comparatively to amount HK$3,695,000 (2019: HK$262,314,000); 2) Although the cloud service business kept steady growth, it was still in expension period and losses enlarged. Operation loss from this segment accounted HK$168,546,000 (2019: loss HK$130,172,000); 3) Due to the change of business envoirment, during the reporting period, imparement loss of goodwill and intangible assets was accounted about HK$15,793,000 (2019: Nil) and due to closure of an associate, in the period, impairment loss of long-term investment was about HK$31,296,000 (2019: Nil).

Basic losses per share were 13.79 HK cents (2019: profit 17.83 HK cents) and diluted losses per share were 13.79 HK cents (2019: prodit 17.59 HK cents).

(9) Financial resources and liquidity

As at 31 December 2020, equity attributable to owners of the Company amounted to HK$1,964,094,000 (at 31 December 2019: HK$2,025,920,000). Current assets amounted to HK$2,133,441,000 of which HK$1,033,672,000 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$1,798,760,000. The Group's current assets were around 1.19 times over its current liabilities (31 December 2019: 1.15 times).

As at 31 December 2019 and 2020, 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 would be 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$").

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 2020, the Group had 5,728 employees. Total employee remuneration, including directors' remuneration and mandatory provident fund contributions amounted to approximately HK$1,414,560,000.

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 2020, approximate HK$21,489,000 of the Group's bank deposits was pledged (31 December 2019: approximate HK$18,998,000).

BUSINESS REVIEW

During the reporting period, the group takes advantage of the leading edge and innovation mechanism of full-stack technology in cloud computing, big data and artificial intelligence. We establish a platform-base idea and take a platform-base path. Accelerate to create a first-class platform products and SaaS operations. Through consolidating the advantage in high-end market, we focused on developing smart enterprise ecosystem and speed up transformation to Cloud business. The Group cores on the Cloud ERP, drives the value growth and aims to help customers build the smart enterprises.

During the reporting period, the Group completed cloud architecture transformation. The Group released the new generation digital platform GS Cloud 3.0 for large & group enterprises and the new generation open source cloud ERP, Inspur inSuite for growth enterprises. Inspur iGIX enterprises' digital capability platform, which cored in low-code model system UBML, was officially open source. We accelerate in-depth development in industry cloud and segment cloud. The Group launched first domestic public grain SaaS product: Inspur Grain Enterprises' Cloud. We are listed in the SaaS leaders' camp in the CCID annual report, and ranked No. 1 of comprehensive competition in a PaaS market by CCW in its annual report. In the period, our Group provides consulting and planning as lead, consolidates the key account operations and signed with SinoSteel, China Xiongan Group, Tianjin Port, China-heavytruck, Guangxi State Farm, Beijing Energy Holding, SAIC Motor, Hunan Electric Power, Guangzhou Sewage Purification Co, and etc., and continues to be ranked No.1 customer satisfaction by CCW. In the reporting period, we cooperated with IDC, an international well-known consulting organization, to define a new generation enterprise-level application software, to publish the white paper "Strong the road to digital transformation to future enterprise"; and cooperated with Chinese Entrepreneurs Federation to publish a white paper on digital transformation of state-owned enterprises to empower the "14th Five Year Plan" High quality development. In the reporting period, our channel performance increased over 100%, our brand and market influence further improved.

During the reporting period, facing the sudden outbreak of COVID and later on normalization of epidemic, the Group actively fulfilled the social responsibility, such as donation of 100,000 medical supplies, free open 8 cloud services, for example, HCM Cloud, iGO Cloud, Cloud Accounting etc, to help the enterprises' resumption of work and production and create cloud new energy.

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$506,337,000, representing 30.5% growth comparatively.

(1) Large enterprises market

During the reporting period, to serve the large enterprise market, the company released the digital platform GS Cloud 3.0, which adopt a new generation computing architecture such as cloud-native and container. Adhering the new concept of "experience, sharing, intelligence, openness", our platform has 5 major technology features such as low-code, high-control dual-engine platform, interactive experience, security and openness. To large enterprises' and group companies' market, we provide application scenarios such as financial sharing, procurement sharing, treasure and funds, project and asset, enterprises' big data etc, provide end-to-end full process cloud service, comprehensively promote the digital transformation and intelligent development of enterprise, and create a new eco-system of symbiosis, co-creative and win-win.

In the period,with GS Cloud core application + field SaaS service model, the Group provides 4 public cloud services as HCM Cloud, Financial Cloud, iGo Cloud, and coordinated Cloud, builds a Mixed solution and promotes enterprises' operation on to cloud.

During the reporting period, based on the Inspur iGIX digital platform and the enterprise Middle-end landing strategy, through technology, business, data middle-end platform, it enhance the enterprise's digital ability, business ability and eco ability. Inspur iGIX keeps on exercising its designing ideas"concise, agile, intelligent". Adopting the cloud-native architecture, based on container technology, supporting elastic scaling of resources and multi-cloud deployment, its core low-code model system UBML is official open source, becoming one of the first seven incubation projects of China's first open source foundation OpenAtom, establishing itself in industry leading as technology lead and open image. According CCW Research report, Inspur iGIX platform, relying on its cloud-native, low-code quick development, open source and other advantage, keeps No.1 position in aPaaS market comprehensive Competition for two consecutive years. Inspur iGIX platform is not only the basic supporting platform of Inspur Cloud ERP, but also can operates as enterprises' information centre, co-operator, independent software developers to carry out secondary development or to create an independent complete application ecosystem. All aims to create a complete enterprises' application ecosystem and help build a smart enterprise "platform + Eco".

During the reporting period, the company focused on customers' successful applications, continued in optimization iteration and improving customers' experience. In the period, the Group signed contracts with a series of large enterprises such as CIECC, China Gezhouba, Energy China, China Construction Second Engineering Bureau, Simcere, Orient Landscape, Zhongtian Group, CCEGC, Guangzhou Port, Tianjin Port, Huaxia Bank, Zhejiang Radio&TV and etc. Shown on the IDC and CCID research report for China HCM software market, Inspur HCM Cloud was listed in Top 3 in China Human resource software SaaS market and ranked No 1 in large-enterprises' market. At same time, relying on its excellent performance in popularity, market usage, brand recommendation and users' satisfaction etc, the Group won the "2020 China Human Resource Technology Innovation Awards".

During the reporting period, relying on the banks' customer channel, the Company deeply cultivates domestic enterprise management market, and draw industry customers' portraits. For the product of Treasury Management Cloud, through combining different management demand from enterprises of different sizes and summarizing the common settling needs as guidance, on the basis of ICBC Treasury Management Cloud Essential Edition, we further launched a multi-bank settlement package and got a new idea for strategic cooperation with ICBC. Meanwhile, ICBC Treasury Management Cloud newly signed contract with Jiangsu YeaCom Group, Hubei Harvin, Henan Xuji Electric, HBIS Group ShiSteel and etc. The depth and breadth of cooperation with Minsheng bank continued improving, not only the inter-bank cash management SaaS service, but also planning to introduce products like online reporting fee control, etc. The company newly signed with Nanning Qidi, Henan TIHOME, Chengdu TianMa, Zhejiang Taote, GGGCN, and etc. Overall, our new customers coverage continued expanding, our services realized from one province delivery to multiple provinces' deliveries and projects' delivery ability kept improving.

During the reporting period, the company's procurement cloud (iGo Cloud), focus on the corporate procurement needs, provided services like Business Opportunity exchange, electronic bidding, spot purchase and finance etc. Through continuously integrating procurement process, it can strengthen management controlling and effective co-ordinating. After establishing the chemistry industry exchange market, relying on the core enterprises' procurement and supply-chain resource, socially sharing procurement results, we provide procurement service, innovate "platform+Eco" operation model, promote the change of business model, and create the domestic leading business eco trading network. In the period, we signed with Shuifa Group, Bohai Chemical Industry, YGMG, CME, Rizhao Water, and etc.

During the reporting period, the company further upgrades the collaboration cloud. With the goal of improving efficiency of collaboration, we dug deep into organization collaborative scenarios, create a cross-organizational collaborative architecture, establish and improve end-to-end collaboration ability within and between origination to realize a multi-end collaboration platform for PC, WEB and mobile. Through WeChat mini program, we integrate more third parties applications, enrich application eco and supply multi-level and multi-dimension collaboration tools for users. In the period, Orient Electronics Group, as our model customer for application of our large SOE digital collaboration platform, fully utilized Cloud + to build a cross-organization collaborative ability and deeply connect with clients, suppliers, outsourcing staffs. At same time, we newly signed with China Tower, China Xiongan Group, and Tianjin Port etc.

(2) Growth enterprise market

During the reporting period, for the growth enterprise market, the Group grasped the opportunity of new construction and industrial internet, through open source ERP product inSuite, to set up platform and ecosphere. The Group co-operated with our partners in the way of joint sale, delivery, and consultation etc. We newly signed with industry leading like Golden Grain, Kehui Technology, Lodoor etc, and help the growing enterprises realize the integration and intelligence of accounting and operations and speed up the enterprises' cloud management change.

In the November of 2020, we published our new product inSuite V1.0, which adopts advanced cloud native architecture, focus on data-driven business capability, provide SaaS subscriptions and online services around six business scenarios including solution, application, implementation, interface, development, and service. We commit to build a growth enterprises' cloud community, strengthen internal and external connections, breakthrough upstream and downstream of enterprises, and reconstruct enterprises' digital ability. inSuite can quickly response business demand due to its cloud native architecture, low-code development platform, scenarios application experience and more open eco. inSuite was recognized by industry and channel partners and got rewards like "Customers' Recommended Brand". "Annual Cloud ERP Creative Products" and "Star Product of China Low-code Platform" etc. inSuite was successfully applied by Histep Furniture, Jiangsu Aijin Farm, Focusight, Overland, and etc.

In the March of 2020, for the human resource management market of growth enterprise, the company launched a new human resource SaaS product-HCM Cloud SE. Our target is to build a HR SaaS really fit for growth enterprises. In order to satisfy intelligent human resource management, this product is supported by block chain digital contract management, installed in big data analysis engine, merged with multiple AI technology.

(3) Small and Micro Enterprise Market

During the reporting period, for the small and micro enterprise market, the company released the palm Yiyun APP, Inspur Yiyun Accounting professional version and inventory chain store version. All products newly provided more value-added tools such as online taxation risk assessment, bulk tax filing, bank auto-reconciliation etc, and cooperated with a number of banks to provide intelligent one-stop invoice-finance-taxation service solutions to small and micro enterprises. During the reporting period, Inspur Yiyun got recognition from banks, partners and community, and got honours like "2019 SME Financial SaaS Cloud Service Trustworthy Product" and many other awards.

2. Management Software Business

During the reporting period, industries and customers coverage of the 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$1,617,991,000, representing a decrease of 17.8% comparatively.

The Group adhered to the domestic financial sharing hotspots, improved products' applicability and intelligence. Our product, through business driving finance transformation, provides comprehensive financial management covering the process of finance, taxation, treasury and business, bases on the middle-end idea, open up digital supply chain, cores on the customers' need and continues on scale innovation. It provides the enterprises' end-to-end full business sharing operation, reconstructs customers, staffs, eco and IOT experience, realise the intelligence invoice collection, one spot invoicing, one spot taxation, multi-dimension analysis, risk control and flexible planning ability, fulfils the information construction target from different industries for invoice management, taxation calculation and taxation risk control etc. Around the treasury management business, it keeps consolidating on financing management, supporting supply chain financing business, breaking through offshore finance. ICBC Lease global capital pool successfully goes online. Our products were newly applied by 20 more district banks and applied by accumulated more than 100 direct banks. Through merging technologies of data, scenarios, and AI, intelligent assessment, voice interaction, face recognition, OCR, RPA, batch processing and etc, we provide the enterprises multi-scenarios, full coverage, intelligent finance management applications including reimbursement sharing, finance and accounting, capital management, taxation management and reporting management. During the reporting period, financial sharing products newly signed with Shenzhen Water, Fast Auto Drive Group, TGOOD, Pagoda, and etc.

During the reporting period, our Group grasped domestic hotspots of state-owned assets reform. And at same time, we combined with our years' experience in state-owned enterprises' information construction and first carried out the management idea of "investment, finance, construction, and retirement". Through entire business close loop management from investment, financing, construction engineering, assets management to investment retirement, we assist the SOE to realize "a network of upper and lower ends, a chess between political commissars and enterprises, a chain in front, middle and back, a cloud of supervision and control". In the period, the Group newly signed contracts with Tianjin Port, NSBD Shandong Line, Huainan Mining, FES etc,and award "Customer Recommended Brand".

During the reporting period, the Group built a one-stop enterprise big data platform. This platform is to provide agile integration tools from selection, storage, management, to construct data middle end, to realize all business digitalization and all assets digitalization, and to build a whole field-level data asset centre. Through precipitating the general field experience integrating with industrial characteristics into module, this platform could provide the management decision-making support and innovation realized. It supports the SOE supervision application scenarios, realises real time online supervision of state-owned assets commissions from central, provincial and city level, establish vertical and horizontal real-time dynamic supervision system and provides an important guarantee for large-scale pattern of state-owned assets supervision. In the reporting period, we newly signed with more than 450 co-operation enterprises such as Tianjin Energy, Tianjin Port, Shanxi Coking Coal, SOASAC of Yunnan, Dongying Finance Bureau, Anhui Huaihai Industry, Hanjiang ITIC, Shanghai Jianke and Sunshine Insurance, etc. A project team of intelligent enterprise application led by Inspur was selected as “Excellent Project Team”.

During the reporting period, seizing the development opportunity of the accelerated construction of 5G by telecom operators and with a focus on the operator’s O domain, Inspur Tianyuan strived to fully evolved toward corporate core and intelligence, and created a cloud + network-oriented Yunrui smart operation support platform. The platform has already had full life cycle network operation support capabilities such as network planning, construction, operation and maintenance, and optimization. Relying on a number of projects such as the Suzhou Institute, Yunnan Mobile, Jilin Mobile, Chongqing Mobile, Tianjin Mobile and Hebei Mobile, it strengthened the unified technology platform capabilities including AI service platform, data center and Paas, thus forming a public technology base as well as an integrated technology system. The implementation of industry-finance integration projects in China Tower Group and China Mobile Internet of Things has broken through the barriers of traditional finance and emerging businesses, and opened a new direction for product development. The launch of Jike corporate core in Yunnan marked the realization of integrated support capacity in providing full product “delivery + maintenance + service”. The implementation of projects such as smart cities marked a big step forward to the vertical depth and industry level expansion of the B and M domains relying on the accumulation of the O domain.

3、Internet of Things Solution Business

During the reporting period, Our Group's IoT business mainly covered the Grain and Telecom industry and realized revenue of HK$432,422,000, representing 20.0% decrease comparatively.

Facing the grain and agriculture industry, the Group, through integration of resources of CNgrain, optimization of production line and layout of intelligent agriculture market, provided total solution of smart grain and smart reserves to food and reserves management in different level and food enterprises and reserves warehouse in different kinds of scale, no matter large, medium, small and micro. In the period, the Group got reward of "Priority Brand Grain SaaS service platform field" and "Double 10 Strong in 2020 Grain digital technology R&D and Applications" issued by China information Committee. Our subsidiary, Zhengzhou Chinagrain Technology, got the Henan Technology Department's approval to establish a Intelligent Engineering R&D centre for Henan provincial Grain warehousing and storage. We set up an associate Beidahuang Inspur Information Co., Ltd. jointly with Beidahuang to work together on agriculture internet. In the reporting period, we won the bids for the construction of intelligent cotton depot of China National Cotton Reserves Corporation, the intelligent grain depot upgrading and transformation projects in Jiujiang, Shangrao and Ji'an of Jiangxin Province, Huzhou of Zhejiang Province and Nanchang of Jiangxi Province, the intelligent project of Shunde Grain Industrial Park in Foshan of Guangdong, the information project of the modern grain industrial park in Xinyu of Jiangxi Province, and the grain circulation management information platform and the grain depot information project of Chongqing.

During the reporting period, Inspur Tianyuan grasped opportunity of digital economic development and industry digital transformation. Based on technology of big data, IOT, AI etc, we created a cloud-connected industry IOT middle-end platform, which integrates intelligent development, application experience and ecological empowerment, actively explored vertical industry needs and scenarios applications. We realised the equipment networking to create digital twin factory, assist the enterprise digital transformation, built a whole-field awareness network, and superimposed comprehensive management such as supervision, operation management, maintenance and analysis. We promoted the digital transformation such as smart party, smart communities, agriculture triple-capital management and smart parks etc. We built a unified and open 5G video enablement platform suitable for SME, industry customers and edge business scenarios and therefore realise the integration of cloud, edge and end innovation, and meet the clients' need of diversified applications of whole field security, live broadcast, intelligent video analysis. We also created digital technology museum, innovative cloud SaaS, SI/SA co-operation model and realise the big data business innovation development.

BUSINESS PLAN

2021 is the first Year of "14th Five-Year plan". Digital transformation, domestic substitution and platform upgrade are all speeding up. At the intersection of these superimposed changes, our Group, based on the customer-centric idea, focus on the three major strategies as strong products, expanding advantage and cloud transformation, further strengthen and improve our SaaS products operation and digital marketing, accelerate the transfer of R&D resource to cloud products, and significantly improve the proportion of cloud revenue. 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, and new models, use first-class products and services to promote enterprises' digital and intelligent transformation, create value for customers and partners.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, 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 2020, 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 Code A.6.7 in future.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") set out in Appendix 10 of Main Board Listing Rule as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code throughout the period ended 31 December 2020.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2020, 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:

The register of members will be closed from 8 June 2021 to 11 June 2021 (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 shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 7 June 2021.

By Order of the Board
Inspur International Limited
Wang Xingshan
Chairman

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprised Mr. Wang Xingshan,Mr. Zhang Yuxin 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.