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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)

**HALF-YEAR RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “**Board**”) of Inspur International Limited (the “**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Unaudited Consolidated Results**”) together with the unaudited comparative figures for the corresponding period in 2021. The unaudited consolidated results have been reviewed by the Audit Committee of the Company:

Financial highlights for the six months ended 30 June 2022

- Turnover increased by 65.79% compared with the corresponding period in 2021 to HK\$2,516,980,000 (the corresponding period in 2021: HK\$1,518,139,000).
- Profit attributable to owners of the Company for the period was HK\$33,834,000 (the corresponding period in 2021: HK\$18,967,000).
- Basic earnings per share attributable to owners of the Company for the period were HK2.96 cents (the corresponding period in 2021: HK1.67 cents).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	<i>NOTES</i>	For the six months ended	
		30 June	30 June
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	2,516,980	1,518,139
Cost of sales		<u>(1,792,728)</u>	<u>(1,002,715)</u>
Gross profit		724,252	515,424
Other income	4	89,951	120,694
Other gains and losses		(1,578)	(1,374)
Impairment losses		(8,081)	(8,294)
Administrative expenses		(198,678)	(167,467)
Research and development expenses		(278,821)	(190,654)
Selling and distribution expenses		(275,211)	(247,678)
Financial costs		(1,561)	(239)
Change in fair value of investment properties		(17,641)	(10,332)
Share of profit of associates		9,163	10,882
Share of (loss) profit of a joint venture		<u>(298)</u>	<u>1,229</u>
Profit before tax		41,497	22,191
Income tax expenses	5	<u>(14,655)</u>	<u>(2,524)</u>
Profit for the period	6	<u>26,842</u>	<u>19,667</u>
Profit for the period attributable to owners of the Company		33,834	18,967
(Loss) profit for the period attributable to non- controlling interests		<u>(6,992)</u>	<u>700</u>
Earnings per share			
– Basic (HK cents)	8	<u>2.96</u>	<u>1.67</u>
– Diluted (HK cents)		<u>2.96</u>	<u>1.66</u>

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

	<u>For the six months ended</u>	
	30 June	30 June
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	26,842	19,667
Other comprehensive (expense) income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value loss on investment in an equity instrument at fair value through other comprehensive income (“FVTOCI”)	(11,760)	—
Deferred tax on revaluation upon equity instrument at FVTOCI	2,940	—
Share of other comprehensive (expense) income of associates and a joint venture	(16,877)	2,567
Exchange differences arising on translation to presentation currency	(90,915)	52,831
	<u>(89,770)</u>	<u>75,065</u>
Total comprehensive (loss) income for the period	<u>(89,770)</u>	<u>75,065</u>
Total comprehensive (loss) income for the period attributable to:		
– Owners of the Company	(81,064)	73,820
– Non-controlling interests	(8,706)	1,245
	<u>(89,770)</u>	<u>75,065</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		30 June 2022	31 December 2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		426,716	450,669
Investment properties		889,470	947,463
Right-of-use assets		75,575	79,529
Other intangible assets		45,062	51,916
Equity instrument at FVTOCI		—	34,321
Interest in associates		261,064	263,842
Interest in a joint venture		106,615	111,849
		1,804,502	1,939,589
Current assets			
Inventories		1,941	2,078
Trade and bills receivables	9	919,163	697,702
Debt instruments at FVTOCI		37,407	13,441
Prepayments, deposits and other receivables		248,355	220,509
Contract assets	10	453,493	275,187
Amount due from ultimate holding company	9	7,621	3,864
Amount due from fellow subsidiaries	9	383,636	320,118
Pledged bank deposits		24,932	36,031
Bank balances and cash		1,102,049	1,266,356
		3,178,597	2,835,286

		30 June	31 December
	<i>NOTES</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade payables	12	303,545	220,185
Other payables, deposits received and accrued expenses		742,078	710,723
Contract liabilities	10	1,138,569	1,094,634
Amount due to ultimate holding company	12	2,388	2,340
Amount due to fellow subsidiaries	12	187,857	65,869
Deferred income - government grants		101,637	106,338
Tax payable		19,279	11,774
Lease liabilities		14,090	14,741
Estimated liabilities		30,881	32,310
		<u>2,540,324</u>	<u>2,258,914</u>
Net current assets		<u>638,273</u>	<u>576,372</u>
Total assets less current liabilities		<u>2,442,775</u>	<u>2,515,961</u>
Non-current liabilities			
Deferred income - government grants		123,876	102,040
Deferred tax liabilities		236,855	250,560
Lease liabilities		9,656	10,110
		<u>370,387</u>	<u>362,710</u>
		<u>2,072,388</u>	<u>2,153,251</u>
Capital and reserves			
Share capital		11,419	11,419
Reserves		<u>2,023,660</u>	<u>2,095,817</u>
Equity attributable to owners of the Company		2,035,079	2,107,236
Non-controlling interests		<u>37,309</u>	<u>46,015</u>
Total equity		<u>2,072,388</u>	<u>2,153,251</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company												
	Share capital	Share premium	Other reserves	Special reserve	Share option			Translation reserve	Revaluation reserve	Merger reverse	Retained profits	Non- controlling interests	Total
					reserve	reserve	reserve						
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(note a)</i>	<i>HK\$'000</i> <i>(note b)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
On 1 January 2021	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	
Profit for the period	—	—	—	—	—	—	—	—	18,967	18,967	700	19,667	
Other comprehensive income	—	—	—	—	—	54,853	—	—	—	54,853	545	55,398	
Total comprehensive income for the period	—	—	—	—	—	54,853	—	—	18,967	73,820	1,245	75,065	
Recognition of equity-settled share-based payments	—	—	—	—	554	—	—	—	—	554	—	554	
On 30 June 2021	<u>11,389</u>	<u>1,561,333</u>	<u>(572,871)</u>	<u>92</u>	<u>60,960</u>	<u>149,947</u>	<u>117,296</u>	<u>(380,797)</u>	<u>1,091,119</u>	<u>2,038,468</u>	<u>47,577</u>	<u>2,086,045</u>	
On 1 January 2022	11,419	1,570,487	(572,871)	92	1,407	159,924	124,855	(380,797)	1,192,720	2,107,236	46,015	2,153,251	
Profit for the period	—	—	—	—	—	—	—	—	33,834	33,834	(6,992)	26,842	
Other comprehensive expense	—	—	—	—	—	(106,078)	(8,820)	—	—	(114,898)	(1,714)	(116,612)	
Total comprehensive (expense) income for the period	—	—	—	—	—	(106,078)	(8,820)	—	33,834	(81,064)	(8,706)	(89,770)	
Disposal of subsidiary	—	—	—	—	—	—	—	—	8,820	8,820	—	8,820	
Recognition of equity-settled share-based payments	—	—	—	—	87	—	—	—	—	87	—	87	
On 30 June 2022	<u>11,419</u>	<u>1,570,487</u>	<u>(572,871)</u>	<u>92</u>	<u>1,494</u>	<u>53,846</u>	<u>116,035</u>	<u>(380,797)</u>	<u>1,235,374</u>	<u>2,035,079</u>	<u>37,309</u>	<u>2,072,388</u>	

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.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	30 June	30 June
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS (USED IN) OPERATING ACTIVITIES	(84,989)	(49,224)
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES	(25,485)	70,805
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES	—	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	(110,474)	21,581
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,266,356	1,033,672
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(53,833)	21,747
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
BANK BALANCE AND CASH	<u>1,102,049</u>	<u>1,077,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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**”). The directors of the Company consider that Inspur Overseas Investment Limited (“**Inspur Overseas**”), a company incorporated in the British Virgin Islands and Inspur Group Limited (“**Inspur Group**”), 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 Interim 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 engaged in enterprise management software, cloud services business and Internet of Things (IoT) solutions.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	For the six months ended 30 June 2022			
	Cloud services	Management software	Internet of things (IoT) solution	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	<u>581,200</u>	<u>1,215,586</u>	<u>720,194</u>	<u>2,516,980</u>
Segment profit	<u>(93,122)</u>	<u>147,371</u>	<u>6,646</u>	<u>60,895</u>
Unallocated other income, gains				28,003
Change in fair value of investment properties				(17,641)
Share of profit of associates				9,163
Share of loss of a joint venture				(298)
Share-based payments				(87)
Unallocated administrative costs				(30,457)
Impairment losses				<u>(8,081)</u>
Profit before tax				<u>41,497</u>

3. REVENUE AND SEGMENT INFORMATION – CONTINUED

	For the six months ended 30 June 2021			
	Cloud services	Management software	Internet of things (IoT) solution	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	319,623	1,021,137	177,379	1,518,139
Segment profit	<u>(98,084)</u>	<u>110,546</u>	<u>5,600</u>	<u>18,062</u>
Unallocated other income, gains				33,662
Change in fair value of investment properties				(10,332)
Share of profit of associates				10,882
Share of profit of a joint venture				1,229
Share-based payments				—
Unallocated administrative costs				(23,018)
Impairment losses				<u>(8,294)</u>
Profit before tax				<u>22,191</u>

4. OTHER INCOME

	<u>For the six months ended</u>	
	<u>30 June 2022</u>	<u>30 June 2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income:		
Interest income on bank deposits	10,504	3,575
Interest income on financial assets at FVTPL	—	3,644
Value Added Tax (VAT) refund	49,047	28,147
Government grants	2,512	48,654
Rental income	26,879	33,962
Others	1,009	2,712
	<u>89,951</u>	<u>120,694</u>

5. INCOME TAX EXPENSES

	<u>For the six months ended</u>	
	<u>30 June 2022</u>	<u>30 June 2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax (EIT)	3,769	3,552
Under provision in prior year:		
PRC Enterprise Income Tax (EIT)	11,675	(417)
Deferred tax	(789)	(611)
	<u>14,655</u>	<u>2,524</u>

6. PROFIT FOR THE PERIOD

	<u>For the six months ended</u>	
	<u>30 June 2022</u>	<u>30 June 2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as cost of sales	650,918	155,031
Depreciation for property, plant and equipment	28,181	28,140
Amortisation for other intangible assets	8,282	7,947
	<u>8,282</u>	<u>7,947</u>

7. DIVIDENDS

The Board of directors does not recommend the payment of any dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

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 period attributable to owners of the Company and on the number of shares as follows:

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

	<u>For the six months ended</u>	
	<u>30 June 2022</u>	<u>30 June 2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Earnings</u>		
Profit for the period attributable to the owners of the Company	<u>33,834</u>	<u>18,967</u>
	<u>For the six months ended</u>	
	<u>30 June 2022</u>	<u>30 June 2021</u>
	<i>'000</i>	<i>'000</i>
<u>Number of shares</u>		
Number of ordinary shares used in basic earnings per share	<u>1,141,921</u>	<u>1,138,921</u>
Effect of dilutive potential ordinary shares arising from the outstanding share options	<u>194</u>	<u>4,313</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u><u>1,142,115</u></u>	<u><u>1,143,234</u></u>

9. TRADE AND BILLS RECEIVABLES

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

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date, which approximated the revenue recognition date.

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	528,447	461,386
31-60 days	51,988	78,890
61-90 days	65,914	33,257
91-120 days	60,871	30,324
121-180 days	66,497	22,286
Over 180 days	145,446	71,559
	919,163	697,702

The following is an aging analysis of amount due from fellow subsidiaries and ultimate holding company for the purchase of goods and services at the reporting date.

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from fellow subsidiaries		
0-30 days	91,854	187,788
31-60 days	76,585	31,251
61-90 days	26,325	10,528
91-210 days	129,266	34,093
Over 210 days	59,606	56,458
	383,636	320,118

9. TRADE AND BILLS RECEIVABLES – CONTINUED

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from ultimate holding company		
0-30 days	1,678	1,678
31-60 days	187	470
61-90 days	179	629
Over 90 days	5,577	1,087
	<u>7,621</u>	<u>3,864</u>

10. CONTRACT ASSETS AND CONTRACT LIABILITIES

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
CONTRACT ASSETS		
Current-software development	<u>453,493</u>	<u>275,187</u>
CONTRACT LIABILITIES		
Current-software development	<u>(1,138,569)</u>	<u>(1,094,634)</u>

11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

	<u>For the six months ended</u>	
	<u>30 June 2022</u>	<u>30 June 2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment loss in respect of		
Trade receivables	<u>8,081</u>	<u>8,294</u>
	<u>8,081</u>	<u>8,294</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

12. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables, presented based on the invoice date.

	<u>30 June</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
0-30 days	119,683	131,366
31-60 days	13,303	15,015
61-90 days	11,839	5,006
Over 90 days	<u>158,720</u>	<u>68,798</u>
	<u>303,545</u>	<u>220,185</u>

12. TRADE AND OTHER PAYABLES – CONTINUED

The following is an aging analysis of amount due to fellow subsidiaries and ultimate holding company for the purchase of goods and services at the reporting date.

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due to fellow subsidiaries		
0-30 days	99,583	29,450
31-60 days	21,222	4,856
61-90 days	380	84
Over 90 days	66,672	31,479
	187,857	65,869
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due to ultimate holding company		
0-30 days	663	1,173
31-60 days	867	3
61-90 days	1	3
Over 90 days	857	1,161
	2,388	2,340

13. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.01 each:				
Authorised	2,000,000	2,000,000	20,000	20,000
At beginning of period	1,141,921	1,138,921	11,419	11,389
At end of period	1,141,921	1,138,921	11,419	11,389

14. RELATED PARTY TRANSACTIONS/BALANCES

Apart from the amounts due from and to related parties as disclosed in the condensed consolidated statement of financial position, certain of which also constitute connected transaction under Chapter 14A of Listing Rule of HKEX, the Group had entered into the following related party transactions during the period:

	Note	For six months ended	
		30 June 2022	30 June 2021
		HK\$'000	HK\$'000
Supply Transactions	(i)	104,786	70,225
Selling Agency transactions			
(1) Accumulated transactions amount	(ii)	377,589	456,351
(2) Related commission amount		3,761	4,482
Purchase Transactions	(iii)	71,583	4,832
Common Services Transactions	(iv)	8,738	3,592
Leasing Services Transactions	(v)	26,359	34,019

14. RELATED PARTY TRANSACTIONS/BALANCES – CONTINUED

Notes:

- (i) The Group supplied goods for Inspur Group with reference to the market price.
- (ii) The Group engaged Inspur Group as the sales agent for the Group's products and services and Inspur Group received a commission of not more than 1% of the total sales value of the products and services.
- (iii) The Group would purchase computer software and hardware products from the Inspur Group. The unit price of computer products and components to be supplied by the Inspur Group would be agreed between parties with reference to the then prevailing market prices of such products at the relevant time.
- (iv) Inspur Group would provide services to the Group in relation to the use of the property on normal commercial terms and on arm's length terms or on terms no less favourable to the Group than those for provision of similar services by Inspur Group to other parties or by other parties to the Group.
- (v) The Group would provide leasing services (leasing services) for the Group's property to Inspur Group at rates negotiated on normal commercial terms and on arm's length terms or on terms no less favourable than those for provision of similar services to other parties.

On 27 February 2020, the Company entered into the Framework Financial Services Agreement with Inspur Group Finance Limited (Hereinafter referred to as “**Inspur Finance Company**”), pursuant to which Inspur Finance Company agrees to provide several categories of financial services including Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services on a non-exclusive basis to the Group for a term of three years ending on 31 December 2022.

Details of such major connected transaction were disclosed in the Company's announcement dated 27 February 2020 and circular dated 15 April 2020 (the “**Circular**”).

According to the deposit service, the maximum daily deposit balance (including any accrued interest) deposited with Inspur Finance Company from the effective date of the framework financial service agreement to 31 December 2022, the recommended upper limit does not exceed RMB500,000,000. The board of directors confirmed that as of 30 June 2022, the daily deposit balance of the Group in Inspur Finance Company (including any accrued interest) did not exceed the upper limit.

Management Discussion and Analysis

Financial Review

As of 30 June 2022, the Group's revenue was mainly derived from its business in the PRC with the functional currency of Renminbi (RMB). During the reporting period, the average exchange rate of the reporting currency in Hong Kong dollars appreciated by 1% and the Group's revenue increased by 65.79% and gross profit increased by 40.52% compared with the corresponding period last year.

(1) Turnover

During the reporting period, the Group recorded a turnover of HK\$2,516,980,000, representing an increase of 65.79% compared with the corresponding period last year (the corresponding period in 2021: HK\$1,518,139,000). The Group's revenue was mainly derived from its RMB-denominated business in China, representing a growth rate of 64.60% in RMB. Revenue from the cloud services business amounted to HK\$581,200,000, representing an increase of 81.84% compared with the corresponding period last year (the corresponding period in 2021: HK\$319,623,000) and a growth rate of 80.53% in RMB, and revenue from cloud services business accounted for 23.09% of the Group's turnover and was the driving force behind the Company's revenue growth; Revenue from the management software business amounted to HK\$1,215,586,000, representing an increase of 19.04% compared with the corresponding period last year (the corresponding period in 2021: HK\$1,021,137,000) and a growth rate of 18.19% in RMB; Revenue from the Internet of Things (IoT) solutions business amounted to HK\$720,194,000, representing an increase of 306.02% compared with the corresponding period last year (the corresponding period in 2021: HK\$177,379,000) and a growth rate of 303.10% in RMB.

(2) Gross profit

During the reporting period, gross profit from operating activities was HK\$724,252,000, representing an increase of 40.52% compared with the corresponding period last year (the corresponding period in 2021: HK\$515,424,000) and a growth rate of 39.51% in RMB. The overall gross profit margin was 28.77%, representing a decrease compared with the corresponding period last year (the corresponding period in 2021: 33.95%).

(3) Administrative expenses, research and development expenses and selling expenses

During the reporting period, administrative expenses amounted to HK\$198,678,000, representing an increase of 18.64% compared with the corresponding period last year (the corresponding period in 2021: HK\$167,467,000) and an increase of 17.78% in RMB compared with the corresponding period last year, mainly due to the increase in HR administrative expense.

During the reporting period, research and development expenses amounted to HK\$278,821,000, representing an increase of 46.24% compared with the corresponding period last year (the corresponding period in 2021: HK\$190,654,000) and a growth rate of 45.19% in RMB, mainly due to the increase in investment in research and development for the cloud services business and the expansion of the Company's research and development staff.

During the reporting period, selling and distribution expenses amounted to HK\$275,211,000, representing an increase of 11.12% compared with the corresponding period last year (the corresponding period in 2021: HK\$247,678,000) and a growth rate of 10.32% in RMB, mainly due to the increase in scale of sales.

(4) Other income from operating activities, other net income

During the reporting period, other income, other net income amounted to HK\$88,373,000, representing a decrease of 25.94% compared with the corresponding period last year (the corresponding period in 2021: HK\$119,320,000) and a decrease rate of 26.47% in RMB. This was mainly attributable to: 1) government grants of HK\$2,512,000, representing a decrease of 94.84% compared with the corresponding period last year (the corresponding period in 2021: HK\$48,654,000); 2) rental income from investment properties of HK\$26,879,000, representing a decrease of 20.86% compared with the corresponding period last year (the corresponding period in 2021: HK\$33,962,000); 3) software tax refund of HK\$49,047,000, representing an increase of 74.25% compared with the corresponding period last year (the corresponding period in 2021: HK\$28,147,000).

(5) Investment income (expense) from associates and joint venture

During the reporting period, investment income from associates amounted to HK\$9,163,000, representing a decrease of 15.80% compared with the corresponding period last year (the corresponding period in 2021: HK\$10,882,000) and a decrease of 16.41% in RMB compared with the corresponding period last year. During the reporting period, investment expense from a joint venture amounted to HK\$298,000, representing a decrease of 124.25% compared with the corresponding period last year (the corresponding period in 2021: income HK\$1,229,000).

(6) Profit before taxation

During the reporting period, the Company recorded a profit before taxation of HK\$41,497,000 (the corresponding period in 2021: HK\$22,191,000), mainly due to operating profit of HK\$147,371,000 from the management software business, representing an increase of 33.31% compared with the corresponding period last year (the corresponding period in 2021: HK\$110,546,000).

(7) Profit attributable to owners of the Company

During the reporting period, profit attributable to owners of the Company amounted to HK\$33,834,000 (the corresponding period in 2021: HK\$18,967,000), representing a substantial increase in profit for the reporting period, which was mainly attributable to operating profit from management software business which amounted to HK\$147,371,000, representing an increase of 33.31% compared with the corresponding period last year (the corresponding period in 2021: HK\$110,546,000).

Basic earnings per share were HK2.96 cents (the corresponding period in 2021: HK1.67 cents) and diluted earnings per share were HK2.96 cents (the corresponding period in 2021: HK1.66 cents).

(8) Financial Resources and Liquidity

As at 30 June 2022, current assets amounted to HK\$3,178,597,000, of which mainly consisted of bank deposits and cash balances of HK\$1,102,049,000, mainly deposits in RMB.

Current liabilities amounted to HK\$2,540,324,000 and mainly comprised trade payables, other payables and accrued expenses and contract liabilities. The Group's current assets were 1.25 times (31 December 2021: 1.26 times) of its current liabilities.

The Group has no bank borrowings.

Foreign exchange risk

The Group's purchases and sales are mainly denominated in RMB and US\$. The Group does not use any derivative instruments to hedge its currency exposure. The Group is currently in a strong financial position and will be able to meet its foreign exchange liabilities as they fall due. The Group's functional currency is RMB and the statements adopt Hong Kong dollars as the presentation currency. The impact of the translation of RMB into Hong Kong dollars during the reporting period has resulted in the information presented in the statements changing more than the actual changes in operating activities.

Employee Information

As of 30 June 2022, the Group had 7,155 employees. During the reporting period, total staff remuneration (including directors' remuneration and Mandatory Provident Fund contributions) under operating activities amounted to HK\$711,424,000.

In accordance with the Group's remuneration policy, employees are remunerated based on their performance and competence, and incentives and options are granted to eligible employees. In addition, the Group provides a mandatory provident fund scheme and a medical protection scheme to all employees, and the Company also provides continuing education and training to its employees to continuously upgrade their skills.

Charges of assets

As of 30 June 2022, the Group's bank deposits of HK\$24,932,000 (31 December 2021: HK\$36,031,000) were pledged for the purpose of tendering.

Business Review

During the reporting period, the Group leveraged its leading edge in cloud computing, big data, IoT, and other full-stack technologies, implemented innovation-driven development strategies, strengthened product R&D, broke through key technologies, formed a product system covering cloud ERP, enterprise's level PaaS platform and industry digital solution, and focused on developing a smart enterprise eco-system, continued in consolidating and enlarging our advantages in digitalization management and further accelerating the transformation to the cloud and promoting the Group's high-quality development.

During the reporting period, for better promoting all business digitalized transformation, the Group focused on the enterprises' application software and SaaS cloud service as mainstream business, broke through the key core technologies such as flexible cloud-native micro-service middleware and zero-code modeling etc, and launched new generation products such as enterprise-level PaaS platform Inspur iGIX 3.5, ERP GS Cloud3.5 for large enterprise market, open sourced cloud ERP inSuite 2.0 for growth enterprise market, Inspur inIoT for IoT platform and Inspur inBuilder low-code platform etc. At same time, the group accelerated the creation of "cloud ERP + IoT + AI big data" technology product component, launched industry digital solutions to industry like grain, mine and water supply etc, and further promoted whole industry digital transformation, which enhanced the products' competitiveness and brand influence in the industry scenarios.

During the reporting period, the group continued being listed in the leading camp of Chinese aPaaS market and honored as "New Generation IT Innovation Enterprise", "Industry Digital Transformation Leading Enterprise", "Intelligent Manufacturing Leading Enterprise", "Chinese Intelligent Manufacturing Solution Outstanding Supplier", "Chinese Enterprises' Treasury Management Preferred Service Supplier" etc.

I. Cloud Services Business

During the reporting period, the Group provides comprehensive cloud services to enterprises in different scales, strengthening and expanding the ecosphere construction, empowering Inspur partners and customers, and enhancing its core competitiveness in the cloud era. During the reporting period, the cloud services business achieved a rapid growth in revenue, recording HK\$581,200,000, representing 81.84% growth compared with the last corresponding period(the corresponding period in 2021: HK\$319,623,000).

(1) Large Enterprises Market

During the reporting period, for the large enterprise market, the Group released new generation large-enterprise-level cloud ERP version, GS Cloud 3.5 and continued optimizing iteration on cloud professional human resource platform HCM Cloud, and etc. At same time, the group keeps on consolidating and enlarging our high-end market, and successfully signed contracts with central enterprises like China Energy Engineering (CEEC中國能建), PowerChina (中國電建), China National Chemical Engineering (中國化學CNCEC), China ANNENG(中國安能),China National Gold Group(中國黃金), China Resources(華潤集團), China Reform(中國國新), China Co-Op (中國供銷) 、China Energy Conservation (中國節能), SINOPHARM(國藥集團), and large local enterprises like CHINAGAS(中國燃氣), Guangdong Navigation(廣東港航), Shandong Energy(山東能源), Haikou Public Transport(海口公交), Shanxi State Capital Operation(山西國運), Guangzhou City Construction Investment(廣州城投), Shandong Lingong(SDLG山東臨工), TonRenTang(同仁堂), Sichuan Development(四川發展),Guangdong Agribusiness(廣東農墾), Bright Food(光明食品), and so on. The group innovates jointly with customers to build world first-class enterprises.

Inspur iGIX5.0 version further broke through key technologies like low/zero-code, IOT, big data, and in-memory computing etc. Through our three core sub-platforms: inBuilder low-code platform, inIoT IOT platform and inDatax data middle-end, the group help large enterprises to build up their own controllable digital transformation platform to upgrade their digital ability and help customers to be time-sensitive and real-time intelligent enterprises with global view. According to the “2021-2022 China SaaS Market Research Annual Report” released by CCID, Inspur iGix was in the leadership camp of China PaaS market and No.1 aPaas of development ability. Meanwhile, the group got honors such as “10 Achievements of 1st Exhibition of Digital China Construction Summit”, and “New Generation IT Innovation Product” etc.

Through precipitating the practicing experience of first class large enterprises, GS Cloud3.5 achieved 4 areas of improvement: technology iteration, application integrity, full cloudification, and safety & reliability. The cloud application was enriched by the treasury cloud, travelling cloud, HCM, assets cloud, collaboration cloud and procurement

cloud etc, help the large enterprises operate up to cloud and fully support enterprises' digitalization and intelligence and develop intelligently. According to "the 2021 China SaaS Market research report" issued by CCID, Inspur Cloud ERP was positioned in the leadership camp of Chinese SaaS market. Inspur GS Cloud got honors like "New Generation IT innovation product" by CCID etc.

Based on Inspur's years' digital platform service experience in large enterprise human resource industry, the Group continued to optimize the iteration of HCM Cloud products, targeted on world first-class benchmark requirements, summarized the key points of advanced human resources digital platform construction, guided for more enterprises for digital platform constructions, reshaped users' experience. And now, 12 large central enterprises have already launched in.

Collaboration cloud integrated information portal, mobile portal and collaboration office to build a digital collaboration platform. Relevant research and development was moved forward, combined collaborative applications according to customers' scenarios, released collaboration portal and zero-code platform functions, improved substantially users' experience. It can be accepted to various terminals, achieved cross-organization, multi-level, and borderless communications, and satisfied customers' digital collaborative needs of "integration, zero-code, modularization, on-demand customization and rapid construction".

During the reporting period, the Group further strengthened cooperation in Tech finance level with ICBC (工商銀行), Minsheng Bank (民生銀行), SPD Bank(浦發銀行), and etc., and further explored cooperation scenarios to treasury management, traveling expense control, supply-chain finance and etc. During the reporting period, the group strategically cooperated with Ctrip, co-constructd the traveling expenses control services to enterprise's level customers. The group signed strategic agreement with Management Professional Group(中大諮詢), based on Inspur's advantages in technology services and products, deeply and strongly united with strategic partners in mainstream business, reconstructed new enterprises' transformation service ecology.

(2) Small and Medium Enterprises Market

During the reporting period, for growth enterprises, the Group released of inSuite2.0 version, a new generation open source cloud ERP product. Based on Odoo's open source cloud-native technology base and Fabric integrated architecture precipitated by Inspur decades' practice, through 3 years' R&D iteration and customers' verifications from multi-industries, Integrated cloud ERP includes finance cloud, supply chain cloud, manufacturing cloud, R&D cloud etc, focuses on diversified digital scenarios, breaks through in-out enterprise value chain, satisfies the changing business needs of growth enterprises, supports more growth enterprises on the development way to new and specialized industry. And all online SaaS assists the growth enterprises to carry on digital transformation. Inspur inSuite takes more attention on the ecology system and network value. Facing long-term customers, new and specified enterprises and eco partners, through more efficient coordination and deep fusion to create new value and take advantages and characteristics of, streamline, international, all on-line, cloud-native, and etc, the group successfully signed contracts with Nanfang Environmental Protection(南方環保), Sinowin Fiber(中維化纖), Brite Semiconduct(徽圖新視), TASLY Holding(天士力), NodIoT(節點互聯), TopOlefin(拓烯科技), Shanxi Ronghe Lvdong Motor (陝西融和綠動汽車)、SILEXON(燧坤智能), and got awards like "New Generation IT Innovation New Product" and so on.

During the reporting period, for the small and micro enterprises market, the Group officially released SME cloud product Inspur E-yun 5.0. The product covers Cloud Accounting, Cloud Inventory standardized applications, segmented industry applications such as Rural Capital Cloud(三資雲), Zhujianyun(住建雲) and Trainingyun (培教雲) etc, which fully satisfies the enterprises' needs for business integration. Among all, Rural Capital Cloud(三資雲) efficiently help the local governments solve the problems happened in management process of collective rural capital with normative, efficient, and convenience, and had already delivered services covering 30 provinces, 180 local village collectives and joint-stock economic collectives. For construction industry, Zhujianyun(住建雲) provided services like migrant works attendance management and residence maintenance fund management etc, and have completed system constructions over 11 provinces and 20 cities 100 countries. Trainingyun (培教雲) built up a platform

integrated the process of “theory and reality, finance, education and production”, and have already successfully made Shandong University as benchmark for several process projects. While strengthening ecological corporation, Inspur E-yun reached strategic cooperation with ICBC(中國工商銀行), ABC Shandong Branch (中國農業銀行山東省分行) etc, carried out comprehensive cooperation in all aspects in market, service, products and technology to help to expand industry cloud such as Rural Capital Cloud(三資雲), Zhujianyun(住建雲) etc.

II. Software Management Business

During the reporting period, the Group’s management software business further expanded in terms of industry coverage and customer base. The Group leveraged its product strengths in the areas of intelligent state-assets, data middle-end, intelligent manufacturing & industrial software, and network operation support system (OSS), as well as its technological strengths in block chain and etc. The group aggressively drive enterprises all business digital transformation and successfully signed contracts with well-known customers such as Dongfang Electric(東方電氣), China Railway Hi-tech Industry(中鐵工業), China State Construction(中國建築), Shandong Luhua(山東魯花), TBEA(天津特變電工), Shanxi Coal &Chemical Industry(陝煤集團), Guangzhou Water Supply(廣州自來水), Tianjin Water (天津水務) and etc. The group recorded revenue of HK\$1,215,586,000, representing 19.04% growth compared with the last corresponding period (the corresponding period in 2021: HK\$1,012,137,000).

Around assets management business, Inspur Intelligent State-Assets, a comprehensive integration state-owned assets online supervision platform covering full business and all levels, promoted the business supervision integration, decision analysis intelligent, application service sharing, and provided the support and assurance for digital intelligent supervision. Until now, the group served 15 province-level SASAC(國資委) like Shandong, Hunan, Shanxi etc and 63 city-level SASAC providing IT service to SASAC for state-asset supervision, and speeded up SASAC’s supervision intelligent upgrading and help to construct a big SASAC supervision patter.

Inspur inDataX data middle-end, which being precipitated more than 20-years R& D application experience with lots of excellent management experience and practice, developed through three stages of data analysis, data management and data intelligent, was a one-stop integrated platform covering whole process of enterprise's data management. It can aggregate enterprise-wide information, provide abilities of data collection, management, display and decision-making, help enterprises activate their commercial data value and empower enterprises' operation and decision-making. It got awards like "2022 Chinese International Big Data Industry Expo Leading Technology Achievement", "Shandong Province Big Data Innovation Application Achievement" etc.

The Group, based on the new generation intelligent manufacturing technology architecture "cloud, edge, end", keeps on deeply building up self-developed industry software product system, covers the core fields of digital supply chain, production & manufacturing, quality control, intelligent factory, industry intelligence, digital marketing, electronic procurement etc, carries out in-depth application promotion in domestic key manufacturing industries such as ship, infrastructure equipment, power transmission, chemical industry, pharmacy, building materials, fast consumption and etc. The Group received awards as "Leading Technology Achievement", "Intelligent Manufacturing Outstanding Solution Supplier", "Intelligent Manufacturing Leading enterprise" and so on.

During the reporting period, communication information systems, cored in 2 major product systems: operation supporting system and data center service, provides services and products to operator customers and customers in other industries. In the field of operation supporting system, through increasing R&D inputs, introducing new technology and continuing upgrading operation supporting system, the group maintained the service advantage in public operation supporting business. The group focuses on breakthrough in intelligent operation network application product technology and upgrade to the self-intelligent network level. At same time, we broke through technologies in the machine learning, knowledge graph AI technology, intelligent operation and maintenance support, network self-intelligent ability reached L2, some can reach L3. The Group formulated the evolution path of computing power network business, broke through key technology of computing network operation, published computing network operation

system zero perception V1.0, realized the basic underlying enablement (computing, data, application, service) with exchange center, developer center, provided basic computing network access, open and operate management function, realized the dock testing of a computing power. Around the data center service, the group, one hand, strengthened planning, integration service and delivery ability, on the other hand, facing the data centre management, created next generation data center infrastructure equipment and product system, covering infrastructure equipment management platform, digital operation platform, AI intelligent energy control platform and cloud migration tools, which reached world leading level.

III. Internet of Things (IOT) Solutions Business

During the reporting period, the Group's Internet of Things solutions business, which mainly covers the grain industry and the telecommunications industry, achieved revenue of HK\$720,194,000, representing an increase of 306.02% compared with the corresponding period last year (the corresponding period in 2021: HK\$177,379,000).

For the grain industry, based on our over 20 years' digital experience in grain industry, the group formed full scenario industry digital service ability starting from consultation and planning, industry solutions, product R&D, delivery achievement and to maintenance and assurance, and food full supply chain industry digital service ability covering from field to dining table. During the reporting period, through optimizing production line, the group expanded market layout in smart storage, smart parks, smart logistic etc., and provided smart grain & smart storage solutions to food and material reserve authorities at all, emergency management departments and grain-related enterprises, material reserves and storage logistics parks of different scales, large, medium and small. The group successfully signed contract with large grain enterprises such as China Grain Reserves (中儲糧), BEIDAHUANG Group (北大荒), Liangyou Group (上海良友集團), Grain Group (魯糧集團), Changjiang Grain Machinery (長江糧機). The group assists the industry high-quality development and solid country grain safety.

During the reporting period, Inspur, jointly with Chinese Cereals and Oils Association (CCOA 中國糧油學會), hold special online academic conference about Inspur smart grain. The group attended 18th Food Production and Marketing Cooperation Fujian Fair and 5th Digital Chinese construction summit and successfully delivery a benchmark project “China Grain Reserves - Beijing Shunyi Warehouse Intelligent Upgrading Project” (中儲糧北京順義直屬庫智能化升級改造項目), widely reported by People’s Dairy and CCTV. Inspur Smart Grain cloud got awards of global big data leading technology achievements and was selected in the national table of contents of “Society technology awards”

During the reporting period, the Group grasped the demands from cloud data centre and operation & maintenance needs from the cloudisation of networks. The Group provides the whole life cycle of cloud network services, including preliminary consultation, planning and design, pre-production and delivery, verification and energy saving, and integrated operation and maintenance, helps operators to build a new generation cloud network infrastructure. The Group also works with industry partners to build an ecological system to assist operators to develop their government and enterprise business.

Business Plan

In 2nd half of 2022, the Group, as a Chinese domestic leading enterprise application software and SaaS cloud services supplier, will grasp the strategy opportunities of technology iteration, industry updating and enterprise application software eco-reconstruction. The group adheres to the leadership of technologic innovation, further increases its investment in research and development, speeds up to cloud transformation, and makes world first-class cloud ERP products. At same time, the group, based on deepening in management digitalization and continuing in consolidating our advantage in high-end market, deeply cultivates in industry, promotes all business digital transformation, and continuously develops diversified partners and speeds up merging and constructing new type ecological alliance. At the same time, the Group will keep on strengthening the operation of SaaS products and digital marketing to increase the revenue portion of cloud business, adhere to the “platform + ecology” partnership operation concept to increase market coverage. In the future, relying on the brand influence

of Inspur, we will continue innovating new technologies, new applications and new models, promote the digital and intelligent transformation and hands with first-class enterprises' and with first-class products and services. The Group will create value for customers and partners, and grow together to be world first-class enterprises.

Purchase, sale or redemption of shares

During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Competitive interests

During the reporting period, none of the Directors, General Manager, substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete with the business of the Group.

Share Option Scheme

The Company adopted a new share option scheme on 23 November 2018. At the end of the reporting period, the number of shares available for issue and outstanding under the share option scheme was 1,316,000 shares.

Audit Committee

The Company has established an audit committee in accordance with the written terms of reference of the Listing Rules. The Audit Committee is primarily responsible for reviewing and supervising the Group's financial reporting process and internal control system. The Audit Committee comprises three independent non-executive directors, namely Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian. Mr. Wong Lit Chor, Alexis is the chairman of the Audit Committee.

The Audit Committee has reviewed this report and has provided its recommendations and opinion thereon.

Code of Corporate Governance Practices

As of 30 June 2022, the Group has complied with the Code Provisions on Corporate Governance Practices (the “**Code**”) as set out in Appendix 14 to the Listing Rules for Main Board, except for the following deviations:

- (i) Code Provision A.6.7 requires the independent non-executive directors and other non-executive directors to attend the Annual General Meeting (AGM) and to have a fair understanding of the views of the shareholders. Due to the impact of the pandemic, some of the independent non-executive directors were unable to attend the AGM due to their official duties. The Company will schedule future meetings as appropriate to comply with Code Provision A.6.7.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in relation to Securities Transactions by Directors (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules for Main Board. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

By Order of the Board
Inspur International Limited
Wang Xingshan
Chairman

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprised Mr. Wang Xingshan, Mr. Wang Yusen and Mr. Cui Hongzhi as executive Directors; Ms. Li Chunxiang as non-executive Director and Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian as independent non-executive Directors.