



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(incorporated in the Cayman Islands with limited liability)

(stock code: 8141)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2007

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This announcement, for which the directors of Lang Chao International Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

The board of Directors (the “Board”) of Inspur International Limited (the “Company”) presents the unaudited consolidated results (the “Unaudited Consolidated Results”) of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2007 together with comparative unaudited figures for the corresponding period in 2006.

UNAUDITED CONSOLIDATED RESULTS

	<i>Notes</i>	Three months ended 31 March	
		2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<u>103,646</u>	<u>131,079</u>
Cost of sales		<u>(103,099)</u>	<u>(131,150)</u>
Gross (loss) profit		547	(71)
Other income		208	213
Administrative expenses		(5,977)	(1,911)
Interest expenses		(3,572)	(1,755)
Share of profit of associates		<u>151</u>	<u>622</u>
(Loss) profit before taxation		(8,643)	(2,902)
Taxation	3	<u>—</u>	<u>—</u>
Net (loss) profit for the period		<u>(8,643)</u>	<u>(2,902)</u>
Attributable to:			
Equity holders of the Company		(8,255)	(2,902)
Minority interests		<u>(388)</u>	<u>—</u>
		<u>(8,643)</u>	<u>(2,902)</u>
(Loss) earnings per share	4		
— Basis		<u>(1.61) cents</u>	<u>(0.59) cents</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1. BASIS OF PREPARATION

The Unaudited Consolidated Results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

The Unaudited Consolidated Results of the Group have been prepared under historical cost convention, except for certain financial instruments, which are measured at fair value. The principal accounting policies used in the preparation of the Unaudited Consolidated Results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2006.

2. TURNOVER

Turnover represents the net amounts received and receivable for goods sold less returns and allowances.

3. TAXATION

No provision for Hong Kong profit tax has been made as the Group did not generate any assessable profits arising during the three months ended 31 March 2007.

4. (LOSS)EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the following data:

	Three months ended	
	31 March	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share	<u>(8,255)</u>	<u>(2,902)</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>514,300</u>	<u>491,100</u>

During the three months ended 31 March 2007, diluted loss per share are not presented because the impact of the exercise of the share options are anti-dilutive.

5. DIVIDEND

The Directors do not recommend the payment of any dividend by the Company for the three months ended 31 March 2007 (three months ended 31 March 2006: nil).

6. SHARE CAPITAL AND RESERVES

	Share capital	Share premium	Special reserve	Preferred shares equity reserve	Translation reserve	Retained profits (loss)	Total	Minority interest	Total
	<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>
At 1 January 2006	4,911	66,862	92	6,387	(221)	43,674	121,705	—	121,705
Profit for the period	—	—	—	—	—	(2,902)	(2,902)	—	(2,902)
At 31 March 2006	<u>4,911</u>	<u>66,862</u>	<u>92</u>	<u>6,387</u>	<u>(221)</u>	<u>40,772</u>	<u>118,803</u>	<u>—</u>	<u>118,803</u>
At 1 January 2007	5,143	73,531	92	17,438	8,422	53,501	158,127	6,718	164,845
Exchange differences arising from translation of overseas operation	—	—	—	—	4,230	—	4,230	—	4,230
Profit for the period	—	—	—	—	—	(8,255)	(8,255)	—	(8,255)
Capital contribution from minority shareholders of subsidiary	—	—	—	—	—	—	—	(388)	(388)
At 31 March 2007	<u>5,143</u>	<u>73,531</u>	<u>92</u>	<u>17,438</u>	<u>12,652</u>	<u>45,246</u>	<u>154,102</u>	<u>6,330</u>	<u>160,432</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover decreased by approximately HK\$27,433,000 to HK\$103,646,000 during the three months period under review, representing 20.9% decrease as compared with last corresponding period. Such decrease was mainly attributable to the decrease in sales of CPU.

The Group recorded a gross profit of approximately HK\$547,000 with the gross profit margin of approximately 0.53%, a increase of approximately HK\$618,000 as compared with gross loss of last corresponding period approximately HK\$71,000. This increase was due to the increasing of the selling computer product.

The administrative expenses for the three months ended 31 March 2007 increased by approximately HK\$4,066,000 or 212.8% as compared to last corresponding period. This increase was due to the increasing the operating expenses of subsidiaries in PRC.

The net loss attributable to shareholders of the Company during the three months ended 31 March 2007 was approximately HK\$8,643,000, a 198% increase when compared to net loss approximately HK\$2,902,000 for the corresponding period in 2006. Such increase was mainly from the finance cost of convertible preference shares and the decreasing of selling price during the period.

Business review and prospects

The Group will continue to place particular emphasis on keeping abreast with market developments and product trends in the information technology sector in order to further procure its existing and other information technology products. The Group will extend into the market of Management Software the Market of e-government business and manufacture and trading of computer product and thereby diversify its revenue sources and build up its reputation in the software industry. The Directors consider that the investment will enhance the Group's overall business performance, strengthen its revenue base and diversify its business risk by enlarging its product and service base.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 31 March 2007, the interests and short positions of the directors and the chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

(a) Long positions in shares of the Company

Name of Directors	Type of interests	Number of securities	% of interests
Wang Miao	Beneficial owner	15,000,000	2.92%
Wang Hung, Alex	Beneficial owner	15,000,000	2.92%

(b) Long positions in underlying shares of equity derivatives of the Company

Options in the Company (Unlisted and physically settled equity derivatives)

Name of Directors	Type of interests	Description of equity derivatives (note)	Number of underlying shares	Subscription price per share HK\$
Sun Pishu	Beneficial owner	Share option	4,000,000	0.324
Zhang Lei	Beneficial owner	Share option	4,000,000	0.324
Leung Chi Ho	Beneficial owner	Share option	4,000,000	0.324
Wang Miao	Beneficial owner	Share option	4,000,000	0.324
Wang Hung, Alex	Beneficial owner	Share option	4,000,000	0.324
Xin Wei Hua	Beneficial owner	Share option	4,000,000	0.324

Note: The share options were granted under the Pre-IPO Share Option Scheme as disclosed in the prospectus of the Company dated 20 April 2004. These options expire ten years from the date of grant.

(c) Short positions in shares and underlying shares of equity derivatives of the Company

As at 31 March 2007, none of the Directors has short positions in shares or underlying shares of equity derivatives of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the following persons or companies (other than the directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO, and were directly or indirectly, interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances as general meeting of any other members of the Group were as follows:

(a) Long positions in shares of the Company

Name of Shareholders	Type of interests	Number of securities	Approximate percentage of interests
Inspur Group Limited	Corporate (note)	270,000,000	52.5%
Inspur Electronics (HK) Limited	Beneficial owner	270,000,000	52.5%

Note: Inspur Group Limited is taken to be interested in 270,000,000 shares due to its 100% shareholdings in the issued share capital of Inspur Electronics (HK) Limited.

(b) Short positions in shares and underlying shares and equity derivatives of the Company

As at 31 March 2007, no persons have short positions in shares or underlying shares of equity derivatives of the Company.

(c) Long positions in series A senior redeemable convertible voting preferred shares of the Company

Name of shareholder	Capacity	Number of securities	Approximate percentage of interests
Microsoft Corporation	Beneficial owner	234,279,559	100%

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the three months ended 31 March 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

COMPETING INTEREST

During the three months ended 31 March 2007, none of the directors, chief executive, initial management shareholders nor substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests in a business which competes with or may compete with the business of the Group.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a share option scheme on 8 April 2004. A summary of principle terms and conditions of the share option scheme are set out in the section headed "Summary of terms of the Pre-IPO Share Option Scheme" in Appendix V of the prospectus of the Company dated 20 April 2004. As at 8 April 2004, options to subscribe for an aggregate of 40,000,000 Shares at HK\$0.324 per Share had been granted by the Company under to Pre-IPO Share Option Scheme.

None of the options granted under the Pre-IPO Share Option Scheme have been exercised, cancelled or lapsed during three months ended 31 March 2007. As at 31 March 2007, 24,000,000 shares are outstanding.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 8 April 2004. A summary of principle terms and conditions of the share option scheme are set out in the section headed "Summary of terms" in Appendix V of the prospectus of the Company dated 20 April 2004. As at 28 December 2004, options to subscribe for an aggregate of 40,000,000 Shares at HK\$0.28 per Share had been granted by the Company under to Share Option Scheme.

None of the options granted under the Share Option Scheme have been exercised, cancelled or lapsed during three months ended to 31 March 2007. As at 31 March 2007, 26,000,000 shares are outstanding.

On 30 January 2007, a total of 51,430,000 share options were granted to certain employees of the Group under the Option Scheme entitling the holders thereof to subscribe for Shares of the Company at an exercise price of HK\$0.56 per Share.

None of the options granted under the Share Option Scheme have been exercised, cancelled or lapsed during three months ended to 31 March 2007. As at 31 March 2007, 51,430,000 shares are outstanding.

AUDIT COMMITTEE

The Company established an audit committee on 8 April 2004 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive directors, Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis. Mr. Wong Lit Chor, Alexis is the chairman of the audit committee.

The Group's unaudited consolidated results for the three months ended 31 March 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
INSPUR INTERNATIONAL LIMITED
Sun Pishu
Chairman

Hong Kong, 15 May 2007

As at the date of this announcement, the Board comprised Mr. Sun Pishu, Mr. Zhang Lei, Mr. Wang Miao and Mr. Leung Chi Ho as executive Directors, Mr. Xin Wei Hua, Mr. Wang Hung, Alex, Mr. Marc Evan Brown and Mr. William James Fass, as non-executive Directors, and Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis as independent non-executive Directors.

This announcement will remain on the GEM website at [www. hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.