



## INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8141)

### 2007 THIRD QUARTER RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors of Inspur 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”) present the unaudited consolidated results (the “Unaudited Consolidated Results”) of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 September 2007 together with comparative unaudited figures for the corresponding period in 2006.

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover	2	183,999	209,252	405,751	489,441
Cost of sales		(154,144)	(191,584)	(364,415)	(473,220)
Gross profit		29,855	17,668	41,336	16,221
Other income		437	1,088	1,183	2,567
Administrative expenses		(6,708)	(4,405)	(19,213)	(9,217)
Interest expenses		(3,601)	(3,631)	(10,760)	(8,523)
Share of profit less loss of associates		229	2,165	2,425	3,966
Profit before taxation		20,212	12,885	14,971	5,014
Taxation	3	(1,455)	(1,526)	(1,455)	(1,902)
Net profit for the period		18,757	11,359	13,516	3,112
Attributable to:					
Equity holders of the Company		17,954	11,364	13,271	3,113
Minority interests		803	(5)	245	(1)
		18,757	11,359	13,516	3,112
Earnings per share	4				
Basic		3.49 cents	2.21 cents	2.58 cents	0.62 cents
Diluted		2.72 cents	1.93 cents	2.40 cents	0.58 cents

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited.

The condensed financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

The accounting policies used in the condensed financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

### 2. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services rendered by the Group, less discounts, returns and allowances.

### 3. TAXATION

	Three months ended 30 September		Nine months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax for the period	<u>1,455</u>	<u>1,526</u>	<u>1,455</u>	<u>1,902</u>

Hong Kong profits tax has been provided at 17.5% of the estimated assessable profits.

No provision for deferred taxation has been recognised as the amount involved is insignificant.

#### 4. EARNINGS PER SHARE

The calculation of basic and diluted earning per share is based on the following:

	Three months ended 30 September		Nine months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Earnings				
Earnings for the purpose of basic earnings earnings per share	17,954	11,364	13,271	3,113
Interest on redeemable convertible preferred shares	3,601	3,631	—*	—
Earnings for the purpose of diluted earnings per share	<u>21,555</u>	<u>14,995</u>	<u>13,271</u>	<u>3,113</u>
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	514,300	514,300	514,300	505,131
Effect of dilutive potential ordinary shares:				
- options	44,306	28,233	39,056	32,805
- redeemable convertible preferred shares	234,280	234,280	—*	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>792,886</u>	<u>776,813</u>	<u>553,356</u>	<u>537,936</u>

\* Conversion of the redeemable convertible preferred shares will have anitdilutive effect on the earnings per share for the nine months ended 30 September 2007.

#### 5. DIVIDEND

The directors do not recommend the payment of any interim dividend for the nine months ended 30 September 2007 (2006: nil).

## 6. SHARE CAPITAL AND RESERVES

	Share Capital HK\$'000	Share Premium HK\$'000	Special Reserve HK\$'000	Preferred shares equity reserve HK\$'000	Translation reserve HK\$'000	Retained profits (loss) HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2006	4,911	66,862	92	6,387	(221)	43,674	121,705	—	121,705
Exchange differences arising from translation of overseas operation	—	—	—	—	5,325	—	5,325	—	5,325
Profit for the period	—	—	—	—	—	3,113	3,113	(1)	3,112
Total recognised gain/ (loss) for the period	—	—	—	—	5,325	3,113	8,438	(1)	8,437
Issue of shares upon exercise of share option	232	6,669	—	—	—	—	6,901	—	6,901
Equity component of the redeemable convertible preferred shares	—	—	—	11,051	—	—	11,051	—	11,051
Capital contribution from minority shareholders of subsidiary	—	—	—	—	—	—	—	6,731	6,731
Dividend	—	—	—	—	—	(15,333)	(15,333)	—	(15,333)
At 30 September 2006	5,143	73,531	92	17,438	5,104	31,454	132,762	6,730	139,492
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	—	—	—	—	11,495	—	11,495	—	11,495
Profit for the period	—	—	—	—	—	13,271	13,271	245	13,516
Total recognised gain/ (loss) for the period	—	—	—	—	11,495	13,271	24,766	245	25,011
Issue of shares upon exercise of share option	—	—	—	—	—	—	—	—	—
Equity component of the redeemable convertible preferred shares	—	—	—	—	—	—	—	—	—
Capital contribution from minority shareholders of subsidiary	—	—	—	—	—	—	—	—	—
Dividend	—	—	—	—	—	(7,715)	(7,715)	—	(7,715)
At 30 September 2007	5,143	73,531	92	17,438	19,917	59,057	175,178	6,963	182,141

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group recorded a profit attributable to equity holders of HK\$13,271,000 (2006: HK\$3,113,000) for the nine months ended 30 September 2007, up 326% compared to last corresponding period. Gross profit was HK\$41,336,000 (2006: HK\$16,221,000), up 155% compared to last corresponding period. The increases were mainly attributable to the increase in demand for IT services from the banking sector and E-government services, and the increase in sales of computer products (a higher margin segment) by the Group during the period.

Turnover for the period was HK\$405,751,000 (2006: HK\$489,441,000), decreased by 17% compared to last corresponding period, which was mainly attributable to the decrease in trading of computer components.

### **BUSINESS REVIEW AND PROSPECTS**

#### ***Manufacture and trading of computer products***

In the nine months period of 2007, the Group kept expanding the export of computer products especially to south America. Custom-tailored computers have been produced to meet customers' specifications and requirements. With the continuous development in computer-related technologies and the established connection with customers, the Group has a good prospect to meet the growing demand for computer products.

#### ***Trading of computer components***

In the nine months period of 2007, selling prices of computer components were reduced compared with last corresponding period owing to technological improvement. Competitions were keen. Gross profit from distribution of computer components has been reduced. Through quick response to market changes, the Group has maintained profitability in this segment.

#### ***Software and IT Services***

During the nine months ended, making use of Microsoft's software development platform, the Group completed development of certain banking management software, wealth management software and the V1.0 Inspur Government Public Service System (a standardized software which can be further custom-tailored according to customers' circumstances and can also be developed into special edition for different customers).

Besides, the Group has expanded its market share in IT services for the banking sectors and the E-government sectors. The Group will continue to place emphasis on providing IT services, especially in the banking and financial sectors and the E-government project, and will enhance the ability of product actualization, providing IT solution, reducing development cost and speeding up the pace of business expansion.

The Group will also seek opportunity for acquisition of business to extend its software and IT services to different business sectors including the telecommunication sector. This can increase the Group's revenue from IT services. Also, it can remodel the Group's emphasis from trading of computer components and products to IT services provider, and to increase profitability.

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

As at 30 September 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**

<b>Name of Directors</b>	<b>Type of interests</b>	<b>Number of securities</b>	<b>Number of interests</b>
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)

<b>Name of Directors</b>	<b>Type of interests</b>	<b>Description of equity derivatives (note)</b>	<b>Number of underlying shares</b>	<b>Subscription price per share HK\$</b>
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 30 September 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 30 September 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 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 were granted by the Company under the Pre-IPO Share Option Scheme.

None of the options granted under the Pre-IPO Share Option Scheme have been exercised, cancelled or lapsed during nine months ended 30 September 2007. As at 30 September 2007, 24,000,000 share options were 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. On 28 December 2004, options to subscribe for an aggregate of 40,000,000 shares at HK\$0.28 per Share were granted by the Company under the Share Option Scheme. As at 1 January 2007, 26,000,000 share options were outstanding. During the nine months ended 30 September 2007, none of these options were exercised, cancelled or lapsed. As at 30 September 2007, 26,000,000 of these share options were 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 these options were exercised, cancelled or lapsed during the nine months ended 30 September 2007. As at 30 September 2007, 51,430,000 of these share options were outstanding.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the Group's unaudited consolidated results for the nine months ended 30 September 2007.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also has made specific enquiry of all directors and is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors during the nine months ended 30 September 2007.

## **CORPORATE GOVERNANCE**

The Company applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the GEM Listing Rules throughout the period ended 30 September 2007.

By Order of the Board  
**Inspur International Limited**  
**Sun Pishu**  
*Chairman*

Hong Kong, 8 November 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.*