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 2013

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 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 HK$'000	2012 HK$'000 (restated)
Continuing operations			
Revenue	2&3	1,300,980	1,161,560
Cost of sales		(857,206)	(737,749)
Gross profit		443,774	423,811
Other income	4	93,533	90,925
Other gains and losses	4	7,549	(20,947)
Administrative and other operating expenses		(357,127)	(300,799)
Selling and distribution expenses		(298,505)	(275,882)
Amortisation of other intangible assets		(5,568)	(14,505)
Finance costs		(4,974)	(6,101)
Impairment loss on goodwill		(14,491)	(63,915)
Impairment loss on investment in an associate		(19,213)	-
Share of profit of an associate		9,018	13,627
Share of loss of a joint venture		(4,938)	(237)
Loss before tax		(150,942)	(154,023)
Income tax expense	6	(1,282)	(4,189)
Loss for the year from continuing operations		(152,224)	(158,212)
Discontinued operation			
Profit for the year from discontinued operation	12	268,183	58,843
Profit (loss) for the year		115,959	(99,369)
Profit (loss) for the year attributable to owners of the Company			
- from continuing operations		(150,487)	(152,162)
- from discontinued operation		268,183	58,843
Profit (loss) for the year attributable to owners of the Company		117,696	(93,319)
Loss for the year attributable to non-controlling interest		(1,737)	(6,050)
		115,959	(99,369)
Earnings (loss) per share			
From continuing and discontinued operations	7		
- Basic		HK13.81 cents	(HK11.09 cents)
- Diluted		HK13.81 cents	(HK11.09 cents)
From continuing operations	7		
- Basic		(HK17.65 cents)	(HK18.08 cents)
- Diluted		(HK17.65 cents)	(HK18.08 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$'000	2012 HK$'000
Profit (loss) for the year	115,959	(99,369)
Other comprehensive income (expense):		
Item that will not be reclassified to profit or loss:		
Exchange differences arising from translation to presentation currency	50,217	10,585
Total comprehensive income (expense) for the year	166,176	(88,784)
Total comprehensive income (expense) for the year attributable to:		
- Owners of the Company	167,746	(82,743)
- Non-controlling interests	(1,570)	(6,041)
	166,176	(88,784)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		242,710	121,349
Investment property		10,839	-
Prepaid lease payments		39,652	38,146
Goodwill		-	14,188
Other intangible assets		16,669	21,122
Available-for-sale investments		23,433	22,693
Interest in an associate		122,848	128,489
Interest in a joint venture		118,077	122,629
		574,228	468,616
Current assets			
Inventories		28,271	148,309
Trade and bills receivables	9	295,702	250,563
Prepaid lease payments		929	874
Prepayments, deposits and other receivables		78,632	64,223
Amounts due from customers for contract work		32,987	39,761
Entrusted loan receivable		509,585	-
Amount due from ultimate holding company		9,423	11,965
Amounts due from fellow subsidiaries		192,689	150,217
Taxation recoverable		95	1,241
Pledged bank deposits		15,656	14,786
Bank balances and cash		897,467	1,184,761
		2,061,436	1,866,700
Current liabilities			
Trade and bills payables	10	188,779	192,276
Other payables, deposits received and accrued expenses		265,575	174,896
Amounts due to customers for contract work		104,823	85,443
Amount due to ultimate holding company		3,102	3,221
Amounts due to fellow subsidiaries		54,536	26,885
Deferred income - government grant		11,220	3,903
Redeemable convertible preferred shares	11	-	64,961
Derivative financial instruments	11	-	30,857
Taxation payable		6,577	11,717
		634,612	594,159
Net current assets		1,426,824	1,272,541
Total assets less current liabilities		2,001,052	1,741,157

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013 (CON'T)

	NOTES	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Deferred income - government grant		40,403	16,735
Deferred tax liabilities		18,402	19,140
		58,805	35,875
		1,942,247	1,705,282
Capital and reserves			
Share capital		9,015	8,455
Reserves		1,929,136	1,693,749
Equity attributable to owners of the Company		1,938,151	1,702,204
Non-controlling interests		4,096	3,078
Total equity		1,942,247	1,705,282

NOTES

1. Basis for preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-Int 12 *Consolidation - Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed whether they have control over all the existing subsidiaries in accordance with the requirements of HKFRS 10. The directors concluded that there is no impact on the Group's control over the subsidiaries after the application of HKFRS 10 and all the subsidiaries continue to be consolidated in the Group's consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC-Int 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a joint venture).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investments which were classified as jointly controlled entity under HKAS 31 should be classified as joint venture under HKFRS 11 and continue to be accounted for using the equity method.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad:

- the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements; and
- disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period . Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[3]
HK(IFRIC) - Int 21	Levies[2]

[1] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 July 2014.
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The directors of the Company anticipate that the application of the new and revised Standards and Interpretations issued but not yet effective will have no material effect on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

2. Revenue

Continuing operations

Revenue represents revenue arising on sales of software development contracts and software outsourcing contracts. An analysis of the Group's revenue for the year is as follows:

	2013 HK$'000	2012 HK$'000
Revenue from software development contracts		
- Sales of IT peripherals and software	458,712	480,953
- Software development	647,996	492,152
Revenue from software outsourcing contracts	194,272	188,455
	1,300,980	1,161,560

3. Segment Information

An operating segment regarding the trading of computer components was discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations. The comparative figures for the year ended 31 December 2012 have been restated to present the trading of computer components business as a discontinued operation. See note 12 for details.

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

For the year ended 31 December 2013

Continuing operations

	Software development and solution HK$'000	Software outsourcing HK$'000	Consolidated HK$'000
Segment revenue	1,106,708	194,272	1,300,980
Segment (loss) profit	(130,192)	12,396	(117,796)
Other income, gains and losses			(5,796)
Share of results of an associate			9,018
Share of loss of a joint venture			(4,938)
Impairment loss on investment in an associate			(19,213)
Central administrative costs			(7,243)
Interest expenses			(4,974)
Loss before tax			(150,942)

For the year ended 31 December 2012 (restated)

Continuing operations

	Software development and solution HK$'000	Software outsourcing HK$'000	Consolidated HK$'000
Segment revenue	973,105	188,455	1,161,560
Segment (loss) profit	(169,599)	4,477	(165,122)
Other income, gains and losses			8,367
Share of results of an associate			13,627
Share of loss of a joint venture			(237)
Central administrative costs			(4,557)
Interest expenses			(6,101)
Loss before tax			(154,023)

Note: All of the segment revenue reported for both years was from external customers.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment.

At 31 December 2013

Continuing operations

	Software development and solution	Software outsourcing	Consolidated
	HK$'000	HK$'000	HK$'000
ASSETS			
Segment assets	1,047,093	94,570	1,141,663
Property, plant and equipment			240,402
Investment property			10,839
Interest in an associate			122,848
Interest in a joint venture			118,077
Bank balances and cash			874,788
Prepaid lease payments			40,581
Other unallocated assets			86,466
Consolidated total assets			2,635,664
LIABILITIES			
Segment liabilities	633,908	14,765	648,673
Taxation payable			5,582
Deferred tax liabilities			12,063
Other unallocated liabilities			27,099
Consolidated total liabilities			693,417

Segment assets and liabilities - continued

At 31 December 2012 (restated)

Continuing operations

	Software development and solution HK$'000	Software outsourcing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	562,717	42,300	605,017
Property, plant and equipment			64,623
Interest in an associate			128,489
Interest in a joint venture			122,629
Bank balances and cash			1,184,761
Pledged bank deposits			14,786
Prepaid lease payments			39,020
Assets relating to discontinued operation			158,536
Other unallocated assets			17,455
Consolidated total assets			2,335,316
LIABILITIES			
Segment liabilities	430,293	11,715	442,008
Taxation payable			11,717
Redeemable convertible preferred shares			64,961
Derivative financial instrument			30,857
Deferred tax liabilities			19,140
Liabilities relating to discontinued operation			39,014
Other unallocated liabilities			22,337
Consolidated total liabilities			630,034

Other segment information

For the year ended 31 December 2013

Amounts included in the measure of segment profit or segment assets:

	Software development and solution HK$'000	Software outsourcing HK$'000	Total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to property, plant and equipment	5,598	831	6,429	152,441	158,870
Depreciation of property, plant and equipment	25,586	810	26,396	263	26,659
Amortisation of other intangible assets	1,862	3,706	5,568	-	5,568
Impairment loss on goodwill	14,491	-	14,491	-	14,491
Impairment loss on amounts due from customers for contract work	6,105	-	6,105	-	6,105
Write-down of inventories	7,638	-	7,638	-	7,638
Allowance for bad and doubtful debts	26,912	-	26,912	-	26,912

For the year ended 31 December 2012 (restated)
Amounts included in the measure of segment profit or segment assets:

	Software development and solution	Software outsourcing	Total	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions to property, plant and equipment	13,776	915	14,691	44,343	59,034
Depreciation of property, plant and equipment	25,681	1,607	27,288	424	27,712
Amortisation of other intangible assets	10,799	3,706	14,505	-	14,505
Impairment loss on goodwill	63,915	-	63,915	-	63,915
Impairment loss on amounts due from customers for contract work	3,788	-	3,788	-	3,788
Write-down of inventories	1,396	-	1,396	-	1,396
Allowance for bad and doubtful debts	2,697	737	3,434	-	3,434

Geographical information

The Group's operations are currently carried out in the PRC (excluding Hong Kong), the country of domicile, and Hong Kong except for some services rendered by the provision of outsourcing software development services division are located in other regions.

Information about the Group's revenue from continuing operations from external customers is presented based on location of markets, or customer irrespective of the origin of the services. Information about the Group's non-current assets by geographical location of assets:

	Revenue from external customers		Non-current assets	
	2013	2012	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	-	-	19,707	20,298
The PRC (excluding Hong Kong), (country of domicile)	1,151,147	1,017,915	526,983	425,378
Others	149,833	143,645	4,105	247
	1,300,980	1,161,560	550,795	445,923

Note: Non-current assets excluded available-for-sale investments.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

Continuing operations

	2013 HK$'000	2012 HK$'000
Other income:		
Interest income	26,922	31,727
Interest income from entrusted loans	2,000	-
Value added tax refund (Note a)	56,349	52,195
Government subsidies and grants (Note b)	8,190	5,163
Dividend income from available-for-sale investments	-	1,840
Others	72	-
	93,533	90,925
Other gains and losses:		
Net foreign exchange gain (loss)	2,172	(1,154)
Net gain (loss) and written off on disposal of property, plant and equipment	645	(144)
Fair value change in conversion option derivatives embedded in redeemable convertible preferred shares	(11,145)	(21,257)
Gain on disposal of other digital media assets (Note c)	12,149	-
Gain on disposal of other intangible asset	-	1,696
Others	3,728	(88)
	7,549	(20,947)

Notes:

(a) Inspur (Shandong) Electronic Information Company Limited ("Inspur Shandong Electronic"), Inspur Communication Information System Limited ("Inspur Communication"), Shandong Inspur Business System Company Limited ("Inspur Business System") and Inspur Group Shandong Genersoft Incorporation ("Inspur Genersoft") 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 2013, the amount of approximately HK$6,917,000 (2012: HK$3,962,000) represent the subsidies received from the PRC Government for the purpose of encouraging the development of group entities engaged in new and high technology sector. The subsidies received are in substance a kind of immediate financial support to the group's entities with no future related costs and recognised as income when the approval of the relevant government authority has been obtained. There are no other conditions attached to the subsidies granted to the Group.

For the year ended 31 December 2013, the amount of approximately HK$1,273,000 (2012: HK$1,201,000) represent the grants from the Government for funding of some feasibility studies which benefits the society as a whole. The grants received are recognised as income when the related feasibility studies has been completed and the approval of the relevant Government authority has been obtained.

(c) On 22 August 2013, the Group and 浪潮齊魯軟件產業有限公司 Inspur Cheeloo Software Industry Company Limited* ("Inspur Cheeloo") entered into an agreement, pursuant to which the Group agreed to sell and Inspur Cheeloo agreed to acquire the assets of digital media business of the Group for a total consideration of RMB30,000,000 (equivalent to approximately HK$37,430,000). A gain of HK$12,471,000 was recognised on disposal of such assets during the year ended 31 December 2013.

* English name is for identification purpose only.

5. (LOSS) PROFIT FOR THE YEAR

Continuing operations

	2013 HK$'000	2012 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Allowance for bad and doubtful debts	26,912	3,434
Reversal of allowance for bad and doubtful debt	(4,561)	-
Impairment loss on amounts due from customers for contract work	6,105	3,788
Cost of inventories recognised as expenses in cost of sale (including write-down of inventories of HK$7,638,000 (2012: HK$1,396,000))	266,845	408,583
Depreciation for property, plant and equipment	26,659	27,712
Depreciation for investment of property	321	-
Amortisation of other intangible assets	5,568	14,505
Rental income from investment of property	(322)	-
Amortisation of prepaid lease payments	917	297
Less: Prepaid lease payments capitalised into construction in progress	(917)	(297)
Directors' remuneration	2,945	4,401
Other staff costs		
Salaries and other benefits	487,540	444,580
Retirement benefits scheme contributions	93,288	53,941
Share based payments	-	1,733
	583,773	504,655
Interest expense on redeemable convertible preferred shares wholly repayable within five years	4,974	6,101
Operating lease rentals in respect of office premises and staff quarters	21,389	19,160

6. TAXATION

Continuing operations

	2013	2012
	HK$'000	HK$'000
Current tax:		
PRC Enterprise Income Tax	1,241	7,074
Underprovision in prior years:		
PRC Enterprise Income Tax	781	659
Deferred taxation	(740)	(3,544)
	1,282	4,189

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The statutory tax rate for PRC Enterprise Income Tax of 25% is applied to the Group's PRC subsidiaries except for Inspur Communication, Inspur Business System and Inspur Genersoft. Inspur Communication, Inspur Business System and Inspur Genersoft are recognised as "New and High Technology Enterprise" and therefore entitled to apply a tax rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approval for all of the PRC subsidiaries enjoying this tax benefit were obtained for the year ended 31 December 2012. Furthermore, Inspur Genersoft can enjoy additional 5% reduction in tax rate starting from the fiscal year ended 31 December 2005 because it is recognised as "State recognised software enterprise" (國家規則布局內重點軟件企業) since 2005. The entitlement of this tax benefit is subject to annual renewal by respective tax bureau in the PRC and the formal approval for the year ended 31 December 2012 was subsequently obtained in March 2013.

Pursuant to the Notice of Ministry of Finance and the State Administrative of Taxation concerning certain preferential policies on enterprise income tax <<財稅[2000]25 號 <財政部、國家稅務總局、海關總署>關於鼓勵軟件產業和集成電路產業發展有關稅收政策問題的通知>>第二條, Inspur Guoyou (Shanghai) Services Incorporation ("Worldwide Shanghai"), which was recognised as "Software Enterprise", is exempted from PRC Enterprise Income Tax for two years starting from its respective first profit-making years, followed by a 50% reduction for the next three years. The first profit-making year for Worldwide Shanghai is the fiscal year 31 December 2009. The 50% tax reduction for Worldwide Shanghai is ended in current year.

The implementation of the EIT Law has no impact on the tax relief granted to the PRC subsidiaries.

7. (LOSS) EARNINGS PER SHARE

Form continuing and discontinued operations

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

	2013 '000	2012 '000 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	852,398	841,532

.The computation of diluted earning per share for 2013 does not assume the conversion of the Company's outstanding redeemable convertible preferred shares since their exercise would result in a decrease loss per share from continuing operations for 2013. The computation of diluted loss per share also does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for 2013.

The computation of diluted loss per share for 2012 does not assume conversion of the Company's outstanding redeemable convertible preferred shares and the exercise of the Company's options since their exercise would result in a decrease in loss per share from continuing operations for 2012.

The weighted average number of ordinary shares for the purpose of basic and diluted earning (loss) per share has been adjusted for the consolidation of shares on 18 November 2013.

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2013 HK$'000	2012 HK$'000
Profit (loss) figures are calculated as follows:		
Profit (loss) for the year attributable to the owners of the Company	117,696	(93,319)
Less: Profit for the year from discontinued operation	268,183	58,843
Loss for the purposes of basic and diluted loss per share from continuing operations	(150,487)	(152,162)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

Basic earning per share for the discontinued operation is HK$31.46 cents per share (2012: HK$6.99 cents per share). Diluted earnings per share for the discontinued operation is HK$31.46 cents per share (2012: HK$6.99 cents per share).

The denominators used are the same as those detailed above for both basic and diluted loss per share.

8. DIVIDEND

	2013 HK$'000	2012 HK$'000
Dividends recognised as distribution during the year:		
2012 final dividend - HK$0.03		
(2011 final dividend - HK$0.06) per share	25,365	50,489

Subsequent to the end of the reporting period, a final dividend of HK$0.03 in respect of the year ended 31 December 2013 (2012: final dividend of HK$0.03 in respect of the year ended 31 December 2012) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. TRADE AND BILLS RECEIVABLES

The Group allows a credit period of 30 to 210 days (2012: 30 to 210 days) to its customers. The following is an aged analysis of trade 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.

	2013 HK$'000	2012 HK$'000
0 to 30 days	129,638	133,960
31 to 60 days	69,938	18,426
61 to 90 days	13,426	4,986
91 to 120 days	1,510	5,638
121 to 180 days	17,918	15,318
Over 180 days	63,272	72,235
	295,702	250,563

10. TRADE AND BILLS PAYABLES

The average credit period taken for trade purchases is 30 to 120 days (2012: 30 to 120 days). The following is an aged analysis of trade and bills payables for the purchase of goods and services received presented based on the invoice date at the end of the reporting period.

	2013 HK$'000	2012 HK$'000
Trade and bills payables		
0 - 30 days	133,415	145,579
31 - 60 days	21,841	8,169
61 - 90 days	9,659	7,336
Over 90 days	23,864	31,192
	188,779	192,276

11. REDEEMABLE CONVERTIBLE PREFERRED SHARES

On 17 November 2013, the redeemable convertible preferred shares with principal amount of HK$51,564,000 were converted into 280,241,365 ordinary shares of the Company. On 8 December 2013, the remaining redeemable convertible preferred shares with principal amount of HK$11,959,000 were redeemed by the Company.

12. DISCONTINUED OPERATIONS

On 30 June 2013, the company has completed the disposal of IT components trading business. Details of disposal of IT components trading business are set out in the announcement dated 16 April 2013 and the circular date 21 May 2013.

The profit for the year from discontinued operation is analysed as follows:

	2013	2012
	HK$'000	HK$'000
Profit of trading of computer components for the year	43,869	58,843
Gain on disposal of trading of computer component business	224,314	-
	268,183	58,843

The results of the trading of computer components operations for the period from 1 January 2013 to 30 June 2013, which have been included in the consolidated statement of profit or loss, were as follows:

	Period ended 30.6.2013	Year ended 31.12.2012
	HK$'000	HK$'000
Revenue	1,234,706	1,239,465
Cost of sales	(1,181,994)	(1,156,106)
Other income	-	4
Administrative and other operating expenses	(175)	(12,603)
Profit before tax	52,537	70,760
Income tax expense	(8,668)	(11,917)
Profit for the year	43,869	58,843

Profit for the year/period from discontinued operation included the following:

	Period ended 30.6.2013	Year ended 31.12.2012
	HK$'000	HK$'000
Cost of inventories recognised as expense in the cost of sales (including reversal of write-down of inventories of nil (2012: HK$287,000)	1,181,994	1,156,106
Depreciation and amortisation	3	592
Staff costs	812	5,625

FINANCIAL REVIEW

During the year ended 31 December 2013, the revenue of the Group from continued operation recorded an increase of approximately 12.00% as compared with last year, gross profit of the Group from continued operation recorded an increase of approximately 4.71% as compared with last year, net loss from continued operation recorded a decrease of approximately 1.1% as compared with last year. The net profit from discontinued operation recorded increase as compared with last year resulted profit attributable to shareholders turnaround.

(1) Revenue from continuing operations

The Group recorded a revenue of HK$1,300,980,000 (2012: HK$1,161,560,000) representing an increase of 12.00% as compared with last year. The revenue of software development and solution in IT service for the year was HK$1,106,708,000 (2012: HK$973,105,000), representing a decrease of 13.73% as compared with last year；On the other hand, the software outsourcing business in IT service was HK$194,272,000 (2012: HK$188,455,000), representing an increase of 3.09% as compared with last year. The revenue of sales of IT peripherals and software was HK$458,712,000 (2012: HK$480,953,000), representing a decrease of 6.58% as compared with last year. The increase was mainly attributable to software development, the revenue from software development was HK$647,996,000 (2012: HK$492,152,000), was recorded an increase of 31.67% as compared with last year.

(2) Gross profit from continuing operations

Gross profit of the Group was HK$443,774,000 for the year (2012: HK$423,811,000), representing a increase of 4.71% as compared with last year. The Group's consolidated gross profit margin was 34.11 %(2012: 36.49%) for the year decreased 2.38%. The year-to-year decrease in gross profit margin was mainly due to low-margin sales of software development.

(3) Selling and distribution cost and administrative expenses from continuing operations

During the year, selling and distribution cost and administrative expenses amounted to HK$655,632,000 (2012: HK$576,681,000), representing an increase of 13.69% as compared with last year. The increase was mainly due to the increase in research and development ("R&D") costs and marketing expenses. In particular, the staff cost of Company overall increased significantly which was mainly due to more high-end professionals in R&D and marketing aiming to strengthen the competitiveness of the Company.

(4) Other incomes and other gains and losses from continuing operations

During the year, the other incomes and other gains and losses increased from HK$69,978,000 in year 2012 to HK$101,082,000 in current year which was mainly due to the decrease in fair value charge in conversion option derivatives embedded in redeemable convertible preferred share from HK$21,257,000 in 2012 to HK$11,145,000 in 2013 and gain on disposal of assets related to digital media business of HKD12, 471,000.

(5) Profit attributable to shareholders

Net profit attributable to shareholders for the year from continuing operations and discontinued operations was approximately HK$115,959,000 (2012: loss of HK$99,369,000), representing a significant increase as compared with last year.

Net loss attributable to shareholders from continuing operations was approximately HK$ 150,487,000 (2012: loss of HK$152,162,000), representing a slight improvement as compared with last year. The Company incurred loss from continuing operation in 2013 mainly because: (1) the Company actively increased its spending on R&D and marketing expenses, which resulted in a significant year-on-year increase in selling and distribution cost and administrative expenses of approximately HK$78,951,000; (2) goodwill impairment and long-term investment impairment for the year totaled approximately HK$33,704,000 (2012: HK$63,915,000). Our management recognised goodwill impairment of the ERP business and impairment of investments in associates mainly due to the much lower-than-expected profit contribution and future economic benefits; and (3) the Company recorded loss from continuing operations because its gross profit margin decreased year on year and the total increase in gross profit was insufficient to cover the increased fees due to intensive competition. and (4)the gain on disposal of discontinued operations in the amount of HK$268,183,000.

Basic and diluted profit (loss) per share from continuing operations and discontinued operations were HK13.81 cents (2012: loss of HK11.09 cents). Basic and diluted profit (loss) per share from continuing operations were HK17.65 cents (2012: loss of HK18.08 cents).

(6) Financial resources and liquidity

As at 31 December 2013, shareholder's equity of the Group amounted to HK$1,938,151,000 (31 December 2012: HK$1,702,204,000). Current assets amounted to HK$2,061,436,000, of which HK$897,467,000 was bank deposits and cash balance which were mainly denominated in Renminbi.

Current liabilities, including trade and bills payables, other payables and accrued expenses amounted to HK$634,612,000. The Group's current assets were around 3.25 times over its current liabilities (31 December 2012: 3.14 times).

As at 31 December 2013, the Group had no bank borrowings.

FOREIGN EXCHANGE EXPOSURE

All of the Group's purchase and sales are mainly denominated in United States Dollars and Renminbi. The Group has not used any derivative instrument to hedge against its currency exposures. The Directors believe that with its sound financial position, the Group is able to meet its foreign exchange liabilities as and when they become due.

CONTINGENT LIABILIITES

As at 31 December 2013, the Group had no material contingent liabilities (31 December 2012: Nil).

CAPTIAL STRUCTURE

The Group finances its operations mainly from shareholder equity, internal generated funds in year 2012.

On 24 September 2009, the Company entered into a supplementary deed ("Supplementary Deed") with the holder of Preferred Shares, pursuant to which the Company and the holder of Preferred Shares have agreed that during the period from 1 October 2009 to 30 September 2011, a dividend at an annual rate of 6% shall be paid to the holders of Preferred Shares on a quarterly basis, (i) as to one third (1/3) thereof (i.e. representing 2% per annum) by cash; and (ii) as to two-thirds (2/3) thereof (i.e. representing 4% per annum) by the allotment of additional Preferred Shares ("Scrip Dividend") in such number to be calculated by dividing the amount of Scrip Dividend by the issue price of scrip share. The issue price of scrip share shall be the average closing price of the Ordinary Shares as shown on the daily quotation sheet of the Stock Exchange for the 10 consecutive trading days immediately prior to such dividend payment date. Each scrip share is convertible into one Ordinary Share. Save for the number of Ordinary Shares to be converted, the scrip shares rank para passu with Preferred Shares in all respects. Further details regarding the terms of the issue of scrip shares to the holders of Preferred Shares was set out in the circular of the Company dated 15 October 2009.

On 31 October 2011, the Company entered into a supplementary deed ("Supplementary Deed") with the holder of Preferred Shares, pursuant to which the Company and the holder of Preferred Shares have agreed that the maturity date of the preferred shares will extend for a further period of two years commencing on 8 December 2011, a dividend at an annual rate of 9% shall be paid to the holders of Preferred Shares on a quarterly basis by cash. Further details regarding the terms of the Preferred Shares was set out in the circular of the Company dated 15 November 2011.On 1 November 2011, the Company have issued 415,873,000 ordinary shares pursuant to the conversion of 83,174,600 Preferred Shares. On 8 December 2011, the Company have redeemed 95,056,686 Preferred Shares pursuant to redemption notice.

On 17 November 2013, the Company have issued 280,241,365 ordinary shares pursuant to the conversion of 56,048,273Preferred Shares. On 8 December 2013, the Company have redeemed the retain Preferred Shares pursuant to redemption notice.

On 31 December 2013, the principal amount of Preferred Shares was Nil.

ACQUISITIONS AND DISPOSAL

In January 2012, the Group dispose of the total equity of Shandong Inspur E-Government software Limited to a related company at a consideration of RMB23,000,000.

On 30 June 2013, the company has completed the disposal of IT components trading business at a consideration of HK $ 294,230,000. On 30 October 2013, the company has completed the disposal of assets related to digital media business at a consideration of RMB $ 30,000,000.

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had 3,999 employees (2012: 3,785).

Total employee remuneration, including directors' remuneration and mandatory provident fund contributions of continuing operations, amounted to approximately HK$583,773,000 (2012: approximately HK$504,655,000).

According to a 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 employee's performance. In addition, the Group provides mandatory provident fund, medical and insurance schemes for employees. The Group also offers continuous education and training programmes to the management and other employees to enhance their skills and knowledge.

On 10 December 2010, 12.02 million options granted under 2008 Share Option Scheme to our senior management and top R&D employees to encourage our staff create and share value without shareholders. By the end of year, 12,020,000 options were vested but not exercised.

CHARGES ON ASSETS

As at 31 December 2013, none of the Group's assets was pledged (31 December 2012: Nil).

BUSINESS REVIEW

In 2013, as domestic and foreign sentiment still remained stagnant, pursuant to its specialized technology development strategy, the Company has been developing itself into an SaaS cloud computing service provider. By leveraging on its advantages in the industry, innovative technology products of cloud computing were introduced to increase the market share. More investment was made in product development to optimize the product portfolio and to enhance the core competitiveness of the Group so as to consolidate its position in the niche market of cloud computing.

1、IT services business

The IT services business of the Group covers various industries, including corporate governance and control, telecommunication, pharmaceuticals, infrastructure, taxation and finance, coal, manufacturing and utilities etc. Mainly engaged in software and related services as well as embedded systems, the Company provides integrated IT services range from applications, IT consultancy, assembling of systems, operation maintenance, outsourcing and intelligent terminal products.

IT services business mainly includes:

（1）Software and related services

In 2013, Inspur ERP fully implemented regional industry market reform and optimized its ERP operating model by sticking to the Group' s operational strategy of focusing on the monitoring of high-end markets, leveraging on the parent group's advantage as a leading company in the cloud computing market, and seizing favorable opportunities brought forth by the increased demand for management improvement from central enterprises and the concern over information safety. Besides deepening its foothold in dominant industries such aspharmaceuticals, infrastructure, and grain reserve etc, the Company strengthened regional market development by establishing a new regional market organization structure and a market-oriented management system in terms of products, industries and regional matrix. The Company also strengthened product innovation and made proactive changes and progress, thereby laying a solid foundation for the continuous expansion and growth of the ERP business.

Increasing investment in market development: the Company established and improved its market map, fully implemented customer designation system and quickly replenished market force to speed up the subversion of human resources structure through methods such as the new employee training camp. The Company deepened its foothold in existing dominant industries, and further expanded cooperation with SOE, such as China Grain Reserves, China Railway etc. As the Company adopted various measures to facilitate regional development, strengthen pipeline construction and uniform sales management system, its overall operating capacity was further enhanced. In terms of marketing: By establishing the conception of viewing the domestic market as a whole, the Company implemented unified planning and organization for key regions and industries to capture the market hot spots such as information security, the change of applicable taxes from business taxes to value-added taxes. In this regard, the Company has successively organized more than 30 special promotion events, which effectively enhanced its brand influence and market competitiveness. The Company established good cooperative relationship with many state- owned assets supervision and administration commissions and finance departments at provincial and municipal levels. As the pilot of XBRL corporate with the Ministry of Finance in 2013, the Company expands our pioneering advantages in terms of XBRL products and laid a solid foundation for our further expansion.

Reinforcing research and development of new products: with the combination of internal independent and external outsourcing research and development, the Company relied on technical innovation to enhance its product competitiveness. With quick response to new technologies, Inspur's software management business launched a series of corporate applications in 2013, including Inspur GS6.0, an all-value-chain management software product for group entities which fully covers corporate finance and business and draws wide attention and preference from group level users. The Company also launched the mobile application development platform (IMP) and GS mobile application package (IMAS) to improve the reaction efficiency in enterprise operation management. Integrated Inspur asset management products and solutions were also launched. The Company started to research and develop a new generation of cloud computing products such as GSP7 and GS7. By speeding up the research of management accounting and the development of related products, the Company took the lead in defining and launching Inspur cloud computing new products infinance,Inspur CRM, master data management and mobile application etc.

In 2013, with the development of mobile internet, the overall performance of telecommunication operators underwent a downtrend. The traditional OSS companies were not only confronted with transformation of business model and fierce price competition among each other, but also faced with accelerating entry of Internet and equipment suppliers. The Company faced great difficulties in the communication industry. On one hand, this was due to cost control taken by telecommunication operators. On the other hand, the standardization level of the Company's software products need yet to be raised. Together with high product costs, the competiveness of products was directly affected. In the second half of 2013, LTE was launched on a large scale and investment in communication industry continued to maintain growth. With the launch of LTE, network-oriented OSS will provide a key support for network quality. The network management system will usher in a qualitative change and transformation. The business position of OSS will become increasingly important.

In the future, the Company will further transform to be a cloud computing and SaaS supplier. The Company will also explore market opportunities in IT planning and integrated application for business cloud computing technology. The Company will continue to participate in the formulation of national, local and industrial standards. The Company will capitalize the opportunities in cloud computing market and develop itself into a leading company in the market by technology innovation with its internal resources.

（2）Embedded systems and related services

In terms of tax collection equipment, with the launch of a pilot project for national structural tax reduction policy and the policy of replacing the business tax with a value-added tax, and the fast development of online billing, the overall domestic market size for tax collection cashier machines decreased significantly. Under the circumstance that the market environment experienced material changes, the Company would strengthen the networked and intelligent functions by the research and development of products, and realize the new applications in Guangdong Sinopec, with the combination of which, the tax collection life cycle has been effectively extended. In respect of the automatic rate-paying machine ("ARM") market, ARM will be understood and recognized by more and more tax payers and tax authorities, but it still faces severe market competition. Online billing services have become the Company's new business direction. There are 6 pilot projects for the application of online billing system and are being implemented by provincial tax authorities. Meanwhile, this business is experiencing the difficult process of transformation.

In 2013, in the automatic financial terminal market, the Company further improved the integrated solutions for channel services, providing customers with comprehensive solutions for various cooperative channels which cover different subdivisions of bank outlets, networks of off-bank service and various banking enterprises. At present, the solution of banking and medical automatic terminals, automatic card-issuing machines and automatic ticketing machines has entered into mass production; the research and development for new product VTM has commenced, and mass production of this product has begun. Inspur's medical banking terminals were successfully included in the supplier list of National Health and Family Planning Commission of the PRC.

As for market expansion, apart from continuing to develop the conventional automatic terminal and automatic ticketing machines market, the Company were active in developing new products market and got some orders for medical banking systems from Bank of China, China Construction Bank and Agricultural Bank of China. Some orders for automatic card-issuing machines were received from various branches of Bank of China, Agricultural Balk of China and China Construction Bank. Automatic card-issuing machines and VTM were solely shortlisted by the head office of China Everbright Bank and recorded significant sales to all branches throughout China. The launch of such new products strengthened the Company's competitiveness and profitability in the financial equipment market. The Company aims to further enhance its competitiveness and profitability in the financial market through exploration of existing customers and launching of innovative products.

（3）Software outsourcing business

In respect of the software outsourcing business, the Group has mainly provided the IT outsourcing (" ITO") services (such as system application development, embedded system development, and quality assurance and testing), the business process outsourcing ("BPO") services (such as data processing, operation and maintenance outsourcing and call center) as well as the product development outsourcing ("PDO") services (such as development of software products, semi-finished parts and platform) for top 500 corporations and outstanding IT companies in the world.

In 2013, the IT outsourcing business in the leading markets, such as the U.S., European and Japanese markets, was adversely affected by the economic situation. The scale advantage formed through cooperation of large service outsourcing enterprises in the industry made the competition in the industry more intensive. Under this market environment, the Company maintained close cooperation relationship with strategic customers, such as Microsoft, FITEC, NTT DAT, China Telecom and China Mobile, through which the cooperation projects were gradually expanded. The Company also sought to exploit the domestic market potential and expanded the business scale in the country. In 2013, the Company further consolidated the marketing plan of “domestic and overseas development”, pursuant to which our overall business segments were rationalized by increasing sales to Chinese domestic customers . This plan effectively balanced the operating risks resulting from any decrease in our international operations and strengthened the Company’s ability to mitigate risks.

Affected by the economic situation, the oversea outsourcing is expected to decrease. However, as the Company speed up its business upgrading and transformation, the Company’s businesses will be gradually changed to provision of all- round services including business consultancy, product development, product services and post- maintenance, thereby generating profit and leading to continuous improvement in our overall business.

BUSINESS PLANNING

In 2014, the Company will continue to implement an active market expansion strategy. The Company will put more effort in marketing and channel development, improve the market incentive policy and further propel the activeness and motility of various sales institutions. Focusing on the perfection and improvement of core business modules, the Company will increase the research and development of platforms, recruit key technical leaders. Through the “sample-driven breakthrough” strategy, the Company intends to drive breakthroughs in key technologies and businesses including management accounting, big data, cloud computing and project production. The Company will actively promote cooperation and merger and acquisition with external parties. With the courage to face all challenges, the Company aims to take a dominant position in relevant field of cloud computing.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2013, 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 2013, save as：(a) Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer (the “CEO”) should be separated and should not be performed by the same individual. Mr. Wang Xingshan is both the Chairman and CEO of the Company. This structure does not comply with code provision A.2.1 of the CG Code. The Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Company’s business strategies and maximizes the effectiveness of its operation. (b) 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. Independent non-executive 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 2013.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2013, 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:

(i) The register of members will be closed from 14 May 2014 to 15 May 2014 (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 17 Floor room 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 13 May 2014.

(ii) The register of members will be closed from 5 June 2014 to 6 June 2014 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, 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 17 Floor room 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 4 June 2014.

By Order of the Board
Inspur International Limited
Wang Xingshan
Chairman

Hong Kong, 26 March 2014

As at the date of this announcement, the Board comprised Mr. Wang Xingshan, Mr. Chen Dongfeng and Mr.Sun Chengtong as executive Directors, Mr. Dong Hailong and Mr. Samuel Y Shen as non-executive Directors, and Ms. Dai Ruimin, Mr.Zhang Tiqin and as Mr. Wong Lit Chor, Alexis as independent non-executive Directors.