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 2015

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 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK$'000	2014 HK$'000 (restated)
Continuing operations			
Revenue	2&3	971,659	891,082
Cost of sales		(679,430)	(610,857)
Gross profit		292,229	280,225
Other income	4	94,146	100,378
Other gains and losses, net	4	3,411	4,211
Administrative expenses		(284,831)	(274,134)
Selling and distribution expenses		(160,983)	(140,640)
Impairment of other intangible assets		-	(12,964)
Share of profit (loss) of an associate		59,113	(18,821)
Share of loss of a joint venture		(15,385)	(7,177)
Loss before tax		(12,300)	(68,922)
Income tax expense	6	(11,897)	(2,268)
Loss for the year from continuing operations		(24,197)	(71,190)
Discontinued operations			
Profit for the year from discontinued operations	11	22,896	974
Loss for the year		(1,301)	(70,216)
(Loss) profit for the year attributable to owners of the Company			
- from continuing operations		(22,570)	(70,074)
- from discontinued operations		22,896	974
Profit (loss) for the year attributable to owners of the Company		326	(69,100)
Loss for the year attributable to non-controlling interests			
- from continuing operations		(1,627)	(1,116)
- from discontinued operations		-	-
Loss for the year attributable to non-controlling interests		(1,627)	(1,116)
Loss for the year		(1,301)	(70,216)
Earnings (Loss) per share			
From continuing and discontinued operations	7		
- Basic		HK0.04 cent	(HK7.66 cents)
- Diluted		HK0.04 cent	(HK7.66 cents)
From continuing operations	7		
- Basic		(HK2.50 cents)	(HK7.77 cents)
- Diluted		(HK2.50 cents)	(HK7.77 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 HK$'000	2014 HK$'000 (restated)
Loss for the year	(1,301)	(70,216)
Other comprehensive expense:		
Item that will not be reclassified to profit or loss:		
Exchange differences arising from translation to presentation currency	(68,693)	(7,693)
Share of exchange difference of an associate and a joint venture	(17,646)	(2,681)
Total comprehensive expense for the year	(87,640)	(80,590)
Total comprehensive expense for the year attributable to:		
- Owners of the Company	(85,862)	(79,437)
- Non-controlling interests	(1,778)	(1,153)
	(87,640)	(80,590)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		505,788	522,449
Investment properties		269,255	10,518
Prepaid lease payments		35,564	38,503
Deposits for acquisition for property, plant and equipment		-	71,152
Other intangible assets		-	-
Available-for-sale investment		21,454	22,669
Interest in an associate		127,679	95,640
Interest in a joint venture		166,024	172,666
		1,125,764	933,597
Current assets			
Inventories		1,945	55,648
Trade and bills receivables	9	116,198	375,395
Prepaid lease payments		874	924
Prepayments, deposits and other receivables		51,108	69,085
Amounts due from customers for contract work		26,073	28,344
Entrusted loan receivable		-	139,598
Amount due from ultimate holding company		1,166	36,036
Amounts due from fellow subsidiaries		143,833	241,554
Taxation recoverable		-	113
Pledged bank deposits		14,994	29,537
Bank balances and cash		1,095,218	1,015,994
		1,451,409	1,992,228
Current liabilities			
Trade and bills payables	10	134,164	302,047
Other payables, deposits received and accrued expenses		470,169	393,287
Amounts due to customers for contract work		117,858	253,034
Amount due to ultimate holding company		1,095	2,781
Amounts due to fellow subsidiaries		43,592	65,121
Deferred income - government grant		12,118	16,884
Taxation payable		10,425	9,798
		789,421	1,042,952
Net current assets		661,988	949,276
Total assets less current liabilities		1,787,752	1,882,873

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Deferred income - government grant		28,074	27,698
Deferred tax liabilities		19,753	20,619
		47,827	48,317
		1,739,925	1,834,556
Capital and reserves			
Share capital		9,015	9,015
Reserves		1,729,745	1,822,598
Equity attributable to owners of the Company		1,738,760	1,831,613
Non-controlling interests		1,165	2,943
Total equity		1,739,925	1,834,556

NOTES

1. BASIS OF 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 HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle

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[2]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to a number of HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment on the impact of these new standards, amendments and interpretations. The Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's financial reports of the coming year.

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:

	2015	2014
	HK$'000	HK$'000
Revenue from software development contracts		(restated)
- Sales of IT peripherals and software	219,509	186,874
- Software development	475,527	454,286
Revenue from software outsourcing contracts	276,623	249,922
	971,659	891,082

3. SEGMENT INFORMATION

The Group's reportable and operating segments are as follows:

1. Software development and solution
2. Software outsourcing

Two types of operations labelled as (i) development of self-help banking facilities and related software and provision of related services ("Finance Business") and (ii) development of telecommunication system network software and provision of system integration service ("Telecommunication Business") that were included in category (1) above were discontinued in 2015. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 11. The comparative information has been re-presented to present the Finance Business and Telecommunication Business as discontinued operations.

Segment revenues and results

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

For the year ended 31 December 2015

Continuing operations

	Software development and solution HK$'000	Software outsourcing HK$'000	Consolidated HK$'000
Segment revenue	695,036	276,623	971,659
Segment profit (loss)	5,260	(13,262)	(8,002)
Other income, gains and losses, net			3,974
Share of profit of an associate			59,113
Share of loss of a joint venture			(15,385)
Central administrative costs			(52,000)
Loss before tax (continuing operations)			(12,300)

For the year ended 31 December 2014 (restated)

Continuing operations

	Software development and solution HK$'000	Software outsourcing HK$'000	Consolidated HK$'000
Segment revenue	641,160	249,922	891,082
Segment (loss) profit	(49,539)	14,937	(34,602)
Other income, gains and losses, net			1,583
Share of loss of an associate			(18,821)
Share of loss of a joint venture			(7,177)
Central administrative costs			(9,905)
Loss before tax (continuing operations)			(68,922)

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 2015

	Software development and solution HK$'000	Software outsourcing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	282,685	79,491	362,176
Property, plant and equipment			505,788
Investment properties			269,255
Interest in an associate			127,679
Interest in a joint venture			166,024
Bank balances and cash			1,095,218
Prepaid lease payments			36,438
Other unallocated assets			14,595
Consolidated total assets			2,577,173
LIABILITIES			
Segment liabilities	577,076	84,804	661,880
Taxation payable			10,425
Deferred tax liabilities			19,753
Other unallocated liabilities			145,190
Consolidated total liabilities			837,248

Segment assets and liabilities - continued

At 31 December 2014 (restated)

	Software development and solution HK$'000	Software outsourcing HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	551,442	91,116	642,558
Property, plant and equipment			518,980
Investment properties			10,518
Interest in an associate			95,640
Interest in a joint venture			172,666
Bank balances and cash			956,136
Prepaid lease payments			39,427
Assets relating to discontinued operations			393,354
Other unallocated assets			96,546
Consolidated total assets			2,925,825
LIABILITIES			
Segment liabilities	630,472	60,366	690,838
Taxation payable			7,732
Deferred tax liabilities			20,619
Liabilities relating to discontinued operations			327,350
Other unallocated liabilities			44,730
Consolidated total liabilities			1,091,269

Other segment information

For the year ended 31 December 2015

Continuing operations

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	-	-	-	176,440	176,440
Depreciation of property, plant and equipment	-	-	-	23,469	23,469
Depreciation for investment properties	-	-	-	5,523	5,523
Amortisation of prepaid lease payments	-	-	-	456	456
Allowance for bad and doubtful debts	3,636	-	3,636	-	3,636
Reversal of allowance for bad and doubtful debts	(328)	-	(328)	-	(328)
Impairment loss on amounts due from customers for contract work	6,651	-	6,651	-	6,651

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets and not allocated to any operating and reportable segment.

	HK$'000
Interest in an associate	127,679
Interest in a joint venture	166,024
Share of profit of an associate	59,113
Share of loss of a joint venture	(15,385)

For the year ended 31 December 2014 (restated)

Continuing operations

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	-	-	-	300,084	300,084
Depreciation of property, plant and equipment	-	-	-	15,958	15,958
Depreciation of investment properties	-	-	-	321	321
Amortisation of other intangible assets	-	3,705	3,705	-	3,705
Allowance for bad and doubtful debts	24,250	-	24,250	-	24,250
Reversal of allowance for bad and doubtful debts	(2,737)	-	(2,737)	-	(2,737)
Impairment loss on amounts due from customers for contract work	18,287	-	18,287	-	18,287
Impairment loss on other intangible assets	-	12,964	12,964	-	12,964

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets and not allocated to any operating and reportable segment.

	HK$'000
Interest in an associate	95,640
Interest in a joint venture	172,666
Share of loss of an associate	(18,821)
Share of loss of a joint venture	(7,177)

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 which 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 geographic location of assets:

	Revenue from external customers		Non-current assets*	
	2015	2014	2015	2014
	HK$'000	HK$'000 (restated)	HK$'000	HK$'000
Hong Kong	-	-	18,657	19,122
The PRC (excluding Hong Kong), (country of domicile)	785,794	728,975	1,082,418	891,361
Others	185,865	162,107	3,235	445
	971,659	891,082	1,104,310	910,928

*Non-current assets excluded those relating to available-for-sale investments.

Information about major customer

Continuing operations

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follow:

	2015	2014
	HK$'000	HK$'000 (restated)
Customer A[1]	183,416	156,421

[1] Revenue from software outsourcing.

4. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	2015 HK$'000	2014 HK$'000
Continuing operations		(restated)
Other income:		
Interest income on bank deposits	26,287	32,195
Interest income on entrusted loan receivable	9,525	13,657
Value added tax refund (Note a)	49,979	35,647
Government subsidies and grants (Note b)	3,442	16,375
Dividend income from available-for-sale investments	1,092	1,640
Rental income	3,821	644
Others	-	220
	94,146	100,378
Other gains and losses:		
Net foreign exchange gain	2,823	184
Net loss and written off of property, plant and equipment	(2)	(103)
Gain on disposal of a subsidiary (Note c)	-	287
Others	590	3,843
	3,411	4,211

Included above is income from unlisted investments of HK$1,092,000 (2014: HK$ 1,640,000).

Notes:

(a) Inspur (Shandong) Electronic Information Company Limited ("Inspur Shandong Electronic") 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 2015, the amount of approximately HK$3,134,000 (2014: HK$16,047,000) represents 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 2015, the amount of approximately HK$308,000 (2014: HK$328,000) represents 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 have been completed and the approval of the relevant Government authority has been obtained.

(c) On 28 August 2014, the Group and Inspur Software Group Company Limited ("Inspur Software") entered into an agreement, pursuant to which the Group agreed to sell and Inspur Software agreed to acquire the entire share equity of the Inspur Commercial for a total consideration of RMB30,000,000 (equivalent to approximately HK$37,433,000). A gain of HK$287,000 was recognised on such disposal during the year ended 31 December 2014.

5. LOSS BEFORE TAX

Continuing operations

	2015	2014
	HK$'000	HK$'000
Loss before tax has been arrived at after charging (crediting):		(restated)
Allowance for bad and doubtful debts	3,636	24,250
Reversal of allowance for bad and doubtful debt	(328)	(2,737)
Impairment loss on amounts due from customers for contract work	6,651	18,287
Impairment loss on intangible assets (Note)	-	12,964
Research and development costs recognised as an expense	71,793	108,616
Auditor's remuneration	2,000	2,000
Cost of inventories recognised as expenses in cost of sale	107,636	79,431
Depreciation for property, plant and equipment	23,469	15,958
Depreciation for investment property	5,523	321
Amortisation of other intangible assets (including in selling and distribution expense)	-	3,705
Amortisation of prepaid lease payments	912	924
Less: Prepaid lease payments capitalised into construction in progress	(456)	(924)
	456	-
Directors' remuneration	6,789	3,188
Other staff costs		
Salaries and other benefits	460,453	378,416
Retirement benefits scheme contributions	82,279	72,548
	549,521	454,152
Operating lease rentals in respect of office premises and staff quarters	21,579	15,634

Note: During the year ended 31 December 2014, actual revenue generated from the customer included in the customer base was less than the projected revenue by the management. Therefore, the management of the Group recognised an impairment loss of HK$12,964,000 in relation to customer base.

6. TAXATION

Continuing operations

	2015 HK$'000	2014 HK$'000 (restated)
Current tax expenses (credit):		
PRC Enterprise Income Tax	3,525	(295)
Underprovision in prior years:		
PRC Enterprise Income Tax	9,147	346
Deferred taxation	(775)	2,217
	11,897	2,268

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

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 Genersoft. 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 renew by respective tax bureau in the PRC every three years. The latest approval for all of the PRC subsidiaries enjoying this tax benefit was obtained in year 2014.

7. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

The calculations 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:

	2015	2014
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	901,536	901,536
Effect of dilutive potential ordinary shares arising from the outstanding share options	448	-
Weighted average number of ordinary shares for the purpose of basic earnings per share	901,984	901,536

The computation of diluted loss per share for the year ended 31 December 2014 did not assume the exercise of the Company's share options since the exercise would decrease the loss per share for the year ended 31 December 2014.

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:

	2015	2014
	HK$'000	HK$'000
Profit (loss) is calculated as follows:		(restated)
Profit (loss) for the year attributable to the owners of the Company	326	(69,100)
Less: Profit for the year from discontinued operations	(22,896)	(974)
Loss for the purposes of basic and diluted loss per share from continuing operations	(22,570)	(70,074)

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

From discontinued operations

Basic earnings per share for the discontinued operation is HK$2.54 cents per share (2014: HK$0.11 cent per share) and diluted earnings per share for the discontinued operation is HK$2.54 cents per share (2014: HK$0.11 cent per share) based on the profit for the year from the discontinued operations of HK$22,896,000 (2014: HK$974,000) and the denominators are for both basic and diluted earnings per share.

8. DIVIDEND

	2015 HK$'000	2014 HK$'000
Dividends recognised as distribution during the year:		
2014 final dividend - HK$0.03 (2014: 2013 final dividend - HK$0.03) per share	27,046	27,101

Subsequent to the end of the reporting period, a final dividend of HK$0.03 in respect of the year ended 31 December 2015 (2014: final dividend of HK$0.03 in respect of the year ended 31 December 2014) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

	2015 HK$'000	2014 HK$'000
Dividend proposed subsequent to the end of the reporting period		
Proposed final dividend for 2015 of HK$0.03 (2014: HK$0.03) per share on 901,536 (2014: 901,536) shares	27,046	27,046

9. TRADE AND BILLS RECEIVABLES

The Group allows a credit period of 30 to 210 days (2014: 30 to 210 days) to its customers. The following is an aged analysis of trade and bills receivables net of allowance for bad and doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015 HK$'000	2014 HK$'000
0 to 30 days	29,525	153,109
31 to 60 days	5,874	86,534
61 to 90 days	6,862	23,697
91 to 120 days	19,356	19,711
121 to 180 days	6,937	27,249
Over 180 days	47,644	65,095
	116,198	375,395

10. TRADE AND BILLS PAYABLES

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.

	2015 HK$'000	2014 HK$'000
Trade and bills payables		
0 - 30 days	36,613	224,293
31 - 60 days	16,609	40,358
61 - 90 days	3,095	18,827
Over 90 days	77,847	18,569
	134,164	302,047

11. DISCONTINUED OPERATIONS

On 31 May 2015, the company has completed the disposal of Telecommunication business. Details of disposal of Telecommunication business are set out in the announcement dated on 10 April 2015 and the circular dated on 14 May 2015. On 30 September 2015, the company has completed the disposal of Finance business. Details of disposal of Finance business are set out in the announcement dated on 9 July 2015 and the circular dated on 5 August 2015.

The loss for the year end 31 December 2015 from discontinued operation is analysed as follows:

	Year ended 31.12.2015 HK$'000
Loss of Telecommunication Business and Finance Business for the year	(61,994)
Gain on disposals of Telecommunication Business and Finance Business	84,890
	22,896

The results of the Telecommunication business for the period from 1 January 2015 to 31 May 2015, and Finance business for the period from 1 January 2015 to 30 September 2015, which have been included in the consolidated statement of profit or loss, were as follows:

	Year ended 31.12.2015 HK$'000
Revenue	440,896
Cost of sales	(296,964)
Other income	15,996
Administrative expenses	(38,656)
Selling and distribution expenses	(171,695)
Loss before tax	(50,423)
Income tax expense	(11,571)
Loss for the year	(61,994)

FINANCIAL REVIEW

During the year ended 31 December 2015, the revenue of the Group from continuing operations recorded an increase of approximately 9.04% as compared with last year, gross profit of the Group from continuing operations recorded an increase of approximately 4.28% as compared with last year, net loss from continuing operations recorded a decrease of approximately 67.79% as compared with last year.

(1) Revenue from continuing operations

The Group recorded a revenue of HK$971,659,000 (2014: HK$891,082,000) representing an increase of 9.04% as compared with last year. The revenue of software development and solution in IT service for the year was HK$695,036,000 (2014: HK$641,160,000), representing an increase of 8.40% as compared with last year；On the other hand, the software outsourcing business in IT service was HK$ 276,623,000(2014: HK$249,922,000), representing an increase of 10.68% as compared with last year. The revenue of software development and solution in IT service includes: the revenue of sales of IT peripherals and purchased software were HK$219,509,000 (2014: HK$186,874,000), representing an increase of 17.46% as compared with last year and the revenue from self-developed software was HK$475,527,000 (2014: HK$454,286,000), was recorded an increase of 4.68% as compared with last year.

(2) Gross profit from continuing operations

Gross profit of the Group was HK$292,229,000 for the year (2014: HK$280,225,000), representing an increase of 4.28% as compared with last year. The Group's consolidated gross profit margin was 30.08 % (2014: 31.45%) for the year decreased 1.37%. The year-to-year decrease in gross profit margin was mainly due to fierce competition in the software development industry.

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

During the year, selling and distribution cost and administrative expenses amounted to HK$445,814,000 (2014: HK$414,774,000), representing an increase of 7.48% as compared with last year. The increase was mainly due to the increase in marketing expenses. In particular, the staff cost of Company overall increased significantly.

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

During the year, the other incomes and other gains and losses amounted HK$97,557,000 (2014: HK$104,589,000) recorded decrease of 6.72% as compared with last year mainly due to reduce in interest income from entrusted loan and bank deposit.

(5) Profit attributable to shareholders

Net profit attributable to shareholders for the year from continuing operations was approximately HK$326,000 (2014: loss of HK$69,100,000), representing a significant improvement as compared with last year due to the gain on disposal of discontinued operations in the amount of HK$84,890,000 in 2015 .

The Company incurred loss from continuing operations was approximately HK$22,570,000 (2014: loss of HK$70,074,000) in 2015 mainly because: (1) the Company actively increased its spending on R&D. The distribution expenses and administrative expenses were increased HK$31,040,000 comparatively; (2) share of profit of an associate was approximately HK$59,113,000(2014: Loss of HK$18,821,000) representing a significant improvement for the year.

Basic and diluted earnings per share from continuing operations and discontinued operations were HK0.04 cent (2014: loss of HK7.66 cents). Basic and diluted loss per share from continuing operations were HK2.50 cents (2014: loss of HK7.77 cents).

(6) Financial resources and liquidity

As at 31 December 2015, shareholder's equity of the Group amounted to HK$1,738,760,000 (31 December 2014: HK$1,831,613,000). Current assets amounted to HK$1,451,409,000, of which HK$1,095,218,000 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$789,421,000. The Group's current assets were around 1.84 times over its current liabilities (31 December 2014: 1.91 times).

As at 31 December 2015 and 31 December 2014, 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

The Group was named as a defendant in a lawsuit filed for potential breach of contract with a supplier. The plaintiff has filed judicial claim against the Group and asked for damages of approximately HK$9,551,000 (equivalent to approximately RMB8,000,000) in 2014. The Company vigorously defended this matter. While the outcome of this litigation matter cannot be predicted with certainty, the Group recognised a provision of HK$5,372,000 (equivalent to approximately RMB4,500,000) which represents the best estimate and based on the legal advice.

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CAPTIAL STRUCTURE

The Group finances its operations mainly from shareholder equity, internal generated funds and operation results in current year.

ACQUISITIONS AND DISPOSALS

On 31 May 2015, the company has completed the disposal of Telecommunication business at a consideration of RMB43,820,000 (equivalent to approximately HK$54,775,000). On 30 September 2015, the company has completed the disposal of assets related to Finance business at a consideration of RMB49,180,000 (equivalent to approximately HK$61,475,000).

On 28 August of 2014, the Group disposed of the total equity of Inspur Commercial Business at a consideration of RMB30,000,000 (equivalent to approximately HK$37,433,000).

EMPLOYEE INFORMATION

As at 31 December 2015, the Group employed 3,208 employees (2014: 4,143).

Total employee remuneration, including directors' remuneration and mandatory provident fund contributions of continuing operations, amounted to approximately HK$549,521,000 (2014: approximately HK$454,152,000).

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 16 July 2015, 40 million options granted under 2008 Share Option Scheme to our senior management and employees to encourage our staff create and share value with shareholders.
By the end of year, 22,420,000 options were vested but not exercised.

CHARGES ON ASSETS

As at 31 December 2015, bank deposits approximately HK$14,994,000 of the Group's was pledged (31 December 2014: approximately HK$29,537,000).

BUSINESS REVIEW

In 2015, with the introduction of "Internet +" and "Made in China 2025", Internet-based enterprise become a business trend. Our company continues to uphold the "professional leadership strategy "to continue to promote the transition to cloud services providers. Around corporation cloud computing and other core areas, enhance technological product innovation, focus on business opportunities and transformation, promote regional market and industry market, go hand in hand through the "focus, change, and increased efficiency" to achieve steady business growth.

The business of IT services of the Group covers various industry sectors, including corporate governance, manufacturing, pharmaceuticals, construction, coal and public utilities. Our company provides integrated IT services on core solutions, such as software and related services, embedded systems with solution-applications, IT consultation services, system integration, operation and maintenance, outsourcing and intelligent terminal products.

IT services mainly include the following segment:

(1) Software and related services

To meet the Chinese government's "Internet +" plan, on the one hand, Inspur strengthens the business of cloud computing, big data research applications, around the hot area such as the public services, e-procument, data analysis, mobile applications to promotes the related new cloud products, and the introduction of hybrid cloud solutions. On the other hand, Inspur strengthens the management accounting product development and marketing with the "Internet +" era of innovation and change.

In marketing, the company released "Made in China 2025 @ Inspur " strategy, which focused on hybrid cloud applications, computing service and solution to large enterprises as the main direction. We held a national tour covering over 20 provinces and cities and 5000 target enterprises clients to drive regional sales and upgrade our brand influence. At the same time, around our advantage sectors, such as the pharmaceutical, construction industries and hot products, for example HCM, funds and other products, we carry out various forms of small high-end industry market activities. We continue signing contracts and projects with clients, such as China Grain wisdom warehouse, BUCC, Shanghai Construction Group etc.

For Research and Development : During the year, company launched Internet-based products, such as e-procument cloud system, finance cloud-sharing system, cloud finance management system, HCM Cloud product and cloud accounting products etc. Published finance cloud-sharing system first mentioned control management concept. E-procurement cloud system released two versions, Enterprise Edition version and portable version, and signed a number of trials, Finance cloud-sharing system supports more than 18 financial planning management model and helps enterprises to strengthen "liquidity management". The HCM cloud formally launched and combined with HCM Core into Inspur HCM overall solutions, Inspur HCM overall solution provides various human resources management solutions and services while supporting in mobile and PC Browser applications,. Developed the CRM standard Edition, now with more than 150,000 register users. For SME market, we developed cloud accounting products, to fill in the blanks. While , we continued to upgrade the ERP core module, for example optimization the overall budget framework to “platform +application” model, publishing different project budget, cost estimates and other applications aiming for different scenarios, strengthening R &D on PS products toward intelligent and automation solutions and one-card-through and bar code automation applications solutions. New launched CSP2.0 could support GS series products applying on cloud model with the market model: charging rental on demand required. We start R&D of GSP6.1 to respond to market requirements for business process integration and unified organizational. The company further improves the project management system, delivery system through the reform program to further promote the implementation of resource sharing and professional delivery, implementation of project contracting. We set up the Project delivery center in headquarter and regions. Through the full implementation of the project contract responsibility system, mobilize the enthusiasm of the implementation of staff, to ensure main project service with China Tower Corp, CETC etc.

As the company completed the disposal of the equity interest in Inspur Communication, the company terminated the field of mobile communications software solutions business. Future, the company will focus on business management software, continue to advance towards cloud computing products and transform to services provider, to explore and promote all applications in clouding environment, such as IT planning，enterprise application integration, data services business.

(2) Embedded systems and related services

Given the changes in the business environment, the company completed the disposal of financial business in end of September. The company terminated tax control equipment and solutions business. Detailed information of the disposal of financial business, please refer to the Company's announcement dated July 9, 2015 and circular dated August 5 2015.

(3) Software outsourcing business

The Group’s software outsourcing business mainly includes the provision of IT Outsourcing (“ITO”) services, such as system application development and testing, data processing, Business Process Outsourcing (“BPO”) services, data analysis service, Infrastructure maintenance services, cloud services, business localization etc.

In 2015, service outsourcing business in China maintains steady growth. Since more and more alliances are formed among the large service outsourcing enterprises, scale advantage makes intense competitive within the industry. In this market environment, the company maintains with the Microsoft, China Telecom and other strategic customers a close working relationship. Cooperation projects gradually expanded, while efforts to tap the potential domestic market, and expand size of the domestic business. The software outsourcing industry will enter into a new era, China's large enterprises, local governments, have begun to be outsourcing some of the innovation and R & D work, not just in the traditional sense for the company's non-core business outsourcing services.

BUSINESS PLANNING

In 2016, the company will implement aggressive market expansion strategy, further increase the right to independent operation player and decentralization of right decision-making to independent market players, grasp market opportunities of Internet + and SOE reform. Focus on core products, improve and upgrade, increase platform and new product development, continue introduction of key technology leaders, fully implement the "data-centric" strategy, grasp the R&D and implementation of cloud service products and major projects, realize the target of the new "traditional software business" and "Cloud Services business innovation" and steady growth .

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2015, 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 2015, 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. Partial Directors were unable to attend the annual general meeting as they were obliged to be away for business trips. The Company will improve its meeting scheduling and arrangement in order to ensure full compliance with Code A.6.7 in future.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers (the “Model Code”) set out in Appendix 10 of Main Board Listing Rule as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code throughout the period ended 31 December 2015.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2015, 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 25 May 2016 to 26 May 2016 (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 24 May 2016.

(ii) The register of members will be closed from 10 June 2016, 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 9 June 2016.

By Order of the Board
Inspur International Limited
Wang Xingshan
Chairman

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprised Mr. Wang Xingshan and Mr. Jin Xiaozhou, Joe as executive Directors, Mr. Dong Hailong and Mr. Samuel Y Shen as non-executive Directors, and Ms.Zhang Ruijun , Mr. Wong Lit Chor, Alexis and Mr. Ding Xiangqian as independent non-executive Directors.